

OBER
1938

OCT 24 1938

BUSINESS WEEK



YEAR
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WEEK
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Wide World

Lewis Brown lays out a job for an "en-
tirely new type of business executive".

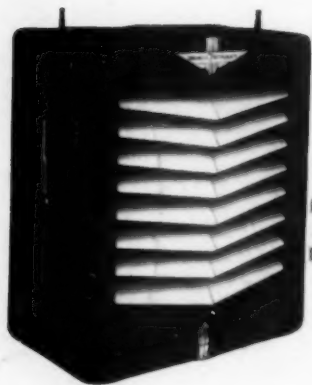
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IN STEEL



IN OIL

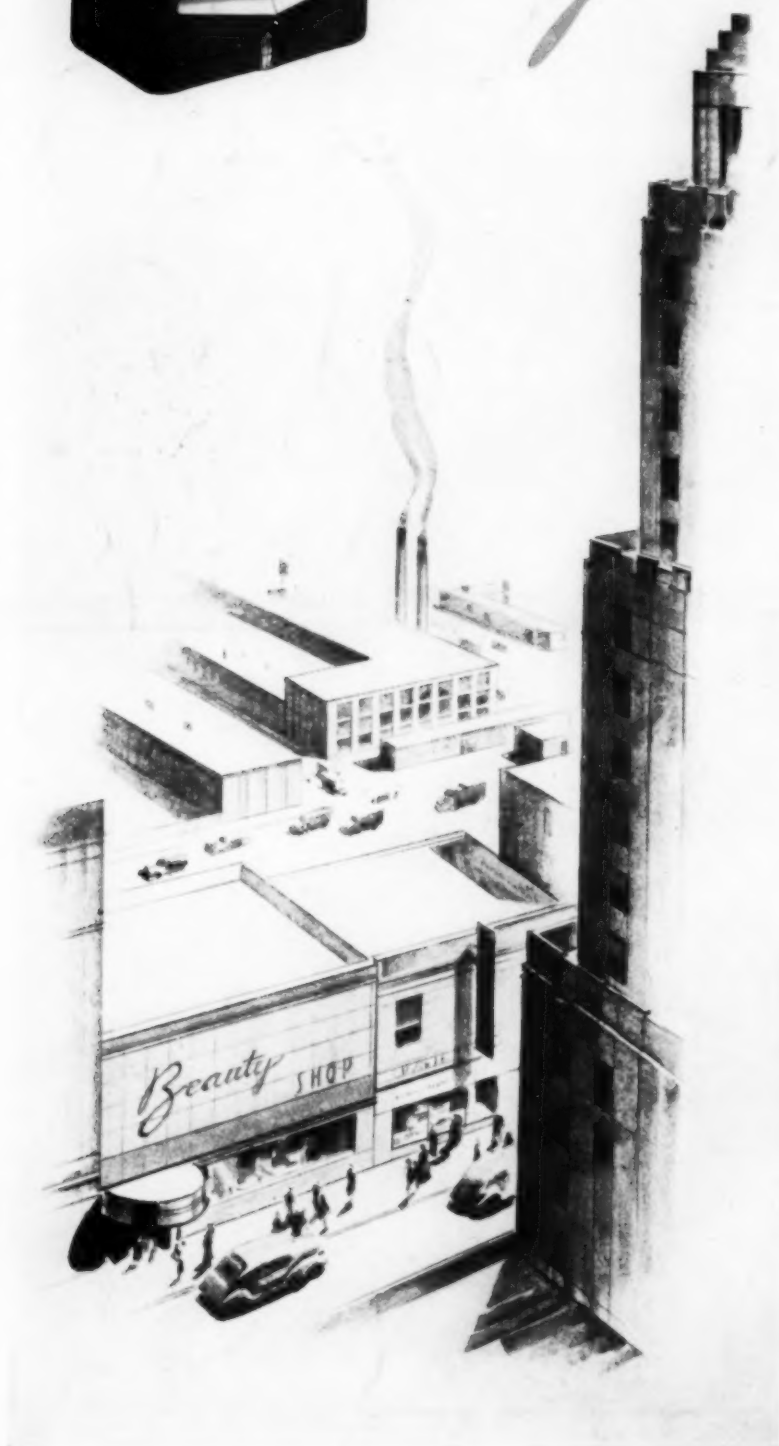
**WHENEVER PIPING
IS INVOLVED**

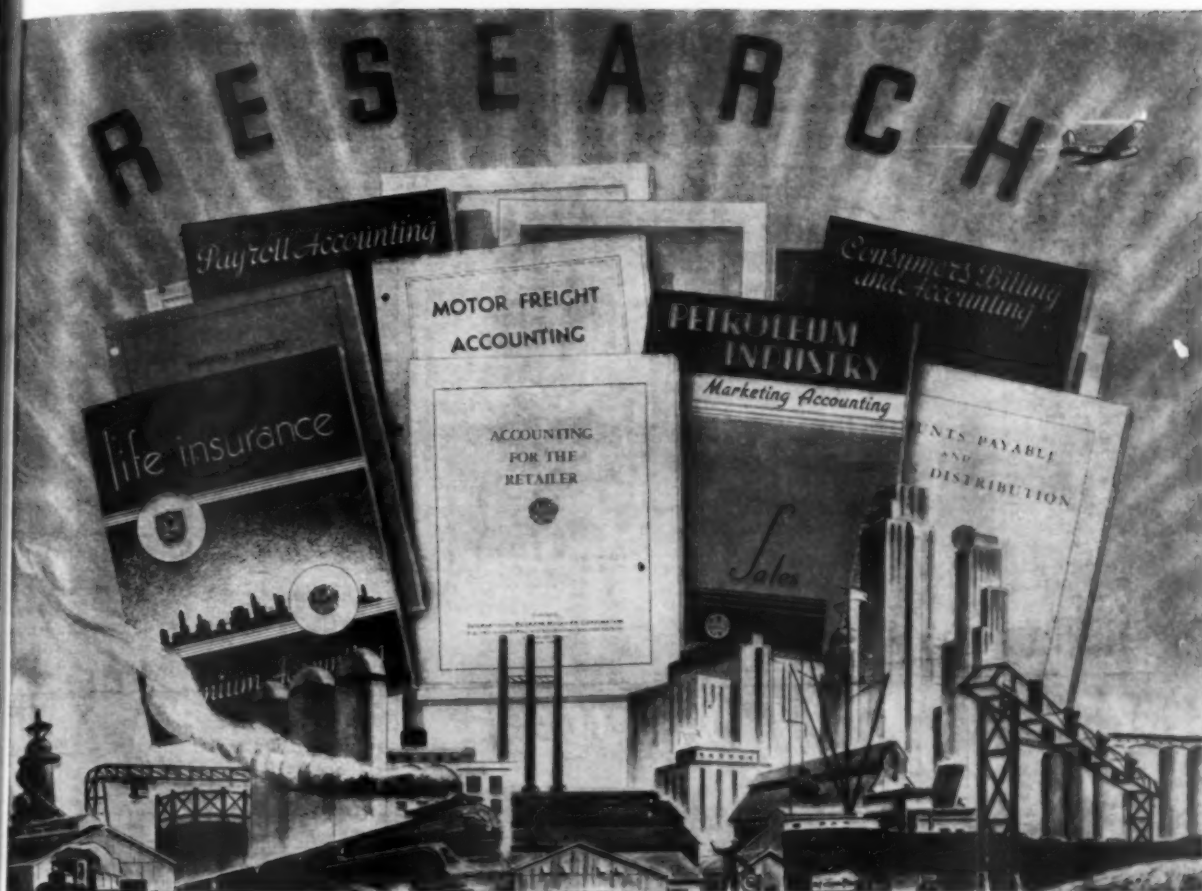
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INTERNATIONAL



Business Machines Corporation

World Headquarters Building, 590 MADISON AVENUE, NEW YORK, N. Y.
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A section of the Commercial Research Department, International Business Machines World Headquarters Building, New York, N. Y.

dag
COLLOIDAL
GRAPHITE

in
Terry Turbines

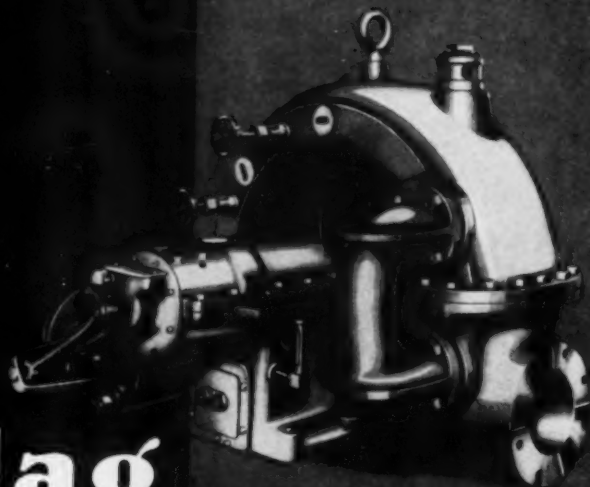
When pressing governor discs, wheels and couplings onto shafts, **THE TERRY STEAM TURBINE COMPANY** employ "dag" colloidal graphite—a 16 year old practice that minimizes galling, allows closer fitting and aids later removal. ♦ ♦ Other concerns obtain similar results when placing inserts in bearings, forcing impellers on shafts and lining cylinders. Screw threads of bolt and nut assemblies also benefit. In addition, colloidal graphite:

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These and other effects are available to manufacturers—uses about which our laboratory either has data or is uncovering as industry needs graphite's basic properties. ♦ ♦ Having tested its value for lubricating, impregnating and electrical applications, we may find that some form of "dag" will extend or improve the utility of your product. We welcome the opportunity of co-operating in the reduction of operating and production costs.

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THIS BUSINESS WEEK

LAST WEEK we warned you of impending change in **BUSINESS WEEK**. If you're any kind of a constant reader, you'll spot the changes as you go through this issue. For your edification, here's an explanation of why we did what.

To start off, the guts of the paper haven't been tampered with. **BUSINESS WEEK**'s nine-year history proves that the editorial formula is sound. The business department tells us that last year was our most successful from a financial standpoint—and that's the payoff in this business as in any other. Our advertising has fallen off a little this year—whose hasn't?—but our readership has kept right on increasing.

We'd be suckers to monkey with a basic formula that has got us a readership that, in turn, has got us more pages of advertising than any save five publications in America. And that advertising, for the benefit of critics in the house, enables us to maintain a staff, with correspondents throughout the world, that could be paid for in no other way.

Still Red Meat

So, to repeat, the basic stuff in **BUSINESS WEEK** remains unchanged. We are going to write about the same things and in pretty much the same way. We've had researchers out in the field, and their findings will help us to concentrate on the information you find most valuable. There will be more short stuff and additions here and there—no subtractions—but the main point of difference will be in packaging of the product.

That change has two manifestations. The first is a different type dress, and whether you like it or not is pretty much a matter of taste. Suffice it to say that the type changes were made only after long months of consultation with experts, and the governing factor was, in every case, ease of readability.

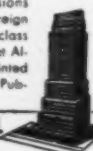
The second change in packaging is in departmentalizing more of the issue. Here's something that **BUSINESS WEEK**'s editors have argued about ever since the first date of publication. There are obvious advantages to grouping stories in

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(with which is combined the Magazine of Business). Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw, Founder and Honorary Chairman. Publication office, 99-129 North Broadway, Albany, New York. Editorial and executive offices, 330 W. 42nd St., New York, N.Y. James H. McGraw, Jr., President; Howard Ehrlich, Executive Vice-President; Mason Britton, Vice-Chairman; B. R. Putnam, Treasurer; D. C. McGraw, Secretary; J. E. Blackburn, Circulation Manager. \$5.00 per year in U.S.A., possessions and Canada; \$7.50 per year in other foreign countries; 20c per copy. Entered as second class at the Post Office at Albany, N.Y., under the Act of March 3, 1879. Printed by the McGraw-Hill Publishing Company, Inc.

A McGRAW-HILL

PUBLICATION



logical departments. It makes reading easier by hooking together all the news of the week in any one field.

But there are distinct disadvantages from a printing standpoint. Any paper or magazine that is departmentalized is likely to be one with a slow schedule from editor to reader. The job of makeup is vastly complicated by having to make given departments fall in given spaces.

No New Idea

In the beginning, BUSINESS WEEK considered complete departmentalization. We gave it up to gain speed—and also because we found there was a tendency to over-play or under-play. Suppose you have a department called "hoopskirts." This particular week there's not a damn thing happening in the hoopskirt business and there you are, stuck with that department. Next week there'll be so much happening that you can't possibly tell it in the space that's been reserved.

All right, what we've worked out now is a plan that will, we believe, give you the reading advantages of departmentalization—without sacrifice of speed at our end. We're going to keep the first half dozen pages or so, directly following "The Business Outlook," for a sort of front page. There we can put last-minute news, or stories that, owing to their broad significance, demand front-page position.

The rest of each issue will be departmentalized by the broad lines of executive interest, but—we retain the right to shift the departments around, and drop them out when it seems advisable. When all is quiet on the labor front, you won't be pestered with fabricated labor news.

We're interested in your reactions.



Lewis H. Brown, the man on this week's cover, recently pointed out that there is today "an entirely new type of business executive"—a professional manager as opposed to the owner-operator—who must give more and more attention to the human relations of industry and its social responsibility. Mr. Brown is one of the spokesmen for a group of business leaders who are working to spread an idea that may develop significantly. The story, headed: "Seek Code for Management," is covered on page 22.

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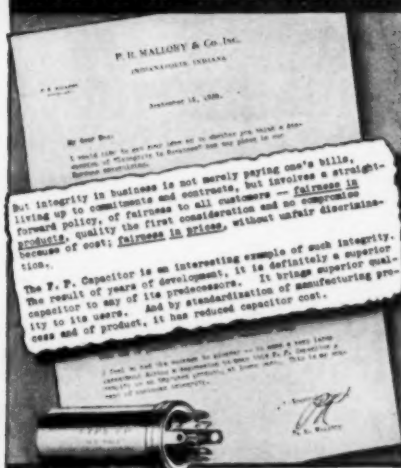
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NEW BUSINESS

Stamp Sales Drive

DISTRIBUTION of the first "family packet" of postal supplies by the U. S. Post Office is part of a wide campaign for merchandising an ancient government service. The packet sells for 20¢, contains four 2¢ stamped envelopes, five 1¢ postcards, six 1¢ stamps. Though designed to encourage postage sales in country districts, the packs will also be sold in cities. Postmasters are being furnished promotional material to boost sales of this leader and stamps in general. Theme of the drive is "Write a letter to—" relatives, to public officials complimenting or knocking their work, to employers asking for jobs, to customers for orders or for building up their loyalty.

"Official" Storm Souvenir

YANKEE SHREWDSNESS found a way to capitalize last month's disastrous hurricane in New England. Industries and companies sawed off thin sections of storm-felled limbs, tacked on brass plates certifying them as "Official relief relics," and played on the American weakness for souvenirs by selling them in hotels and other foci of tourists. Proceeds go to the relief of storm victims.

Four-Way Bridge

MILLIONS of incurable bridge fiends form a market that constantly challenges the ingenuity of game manufacturers. National Pastimes soon will introduce in the New York market its Par-Bridge. Dubs unable to master straight contract will cry out against the statement that Par-Bridge allows playing the game four different ways; but everybody will applaud the promise that it furnishes a substitute for that elusive fourth player.

Contraceptives Defeated

THE NORTH SHORE MOTHERS' HEALTH OFFICE, of old Salem, Mass., lost its fight to get rid of the Massachusetts law prohibiting the distribution of contraceptives. On Oct. 10 the U. S. Supreme Court upheld a state court which had declared the 59-year-old statute valid. The ladies were advised that "relief must be sought from the law-making department" of their state.

Banks Aid Research

BANKS EAGER TO WIDEN SERVICES to their customers may get an idea from the Liberty Bank of Buffalo. It puts clients in touch with research laboratories best qualified to provide service on specific production problems. Seven hundred laboratories in this country and abroad cooperate. The bank makes no charge for its service, is content with good-will dividends. The Liberty Bank plan is now being made available generally through the

Merrill Anderson Co., New York City. First institution in the South to offer the program was the Wachovia Bank & Trust Co., Winston-Salem, N. C.

Waxes from Bran

NIPPONESE SCIENTISTS have taken time out during the national drive against China to do something about rice bran oil. A Japanese chemist has found that the oil yields a substitute for vegetable waxes used in the manufacture of furniture polish, shoe polish, carbon paper, certain cosmetics. America's rice industry will welcome the news.

Why Cars Wear Fox Tails

FOX TAILS that flutter from the handle bars of motorcycles and automobile radiator caps are reminders that smart salesmanship can dissolve frozen inventories. The fad is said to have been originated by a New York furrier stuck with a heavy stock of fox tails when the German demand was cut off. Undismayed by a price drop from 35¢ to 2¢ he created a new market by spreading the whisper that fox tails were good luck for motorists and motorcyclists.

Trade Lessons Dramatized

SPEECHES are too frequently dull, trade conferences take time, dealers often can't leave their business when a convention foregathers in a distant city. These were some of the reasons that led the National Automotive Parts Association to try a drastic new idea. It staged a trade play to carry out to the various territories the message of its 26 manufacturers and 38 warehouse units. Garagemen, jobbers and dealers are shown the right and wrong way to conduct their business by 13 scenes which start in the morning and continue, after a noon intermission, during the afternoon. The actors are employees of member companies. They travel in two Pullmans with a baggage car for the scenery. In their third season, these industrial barnstormers report enthusiastic acceptance of this original form of regional conference.

Retriever Bullets

IN THE OIL INDUSTRY the firing of bullets through casing walls to allow an inflow of crude petroleum at desired depths has become accepted practice. Recently science has developed what might be called "retriever bullets." These bullets are hollow. They are fired into the side walls of an oil well by a special gun. Penetrating a geological formation, the center of the bullet takes in a sample or core. Wires attached to the bullet and the housing bring it to the surface. There the geologist examines the core from which he obtains guidance for drilling.

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau)—Wallace is not only battling to save his farm program in his stump-sucking tour to persuade the Middle Western farmers that everything will be all right with AAA when controlled production really gets going, but he's fighting to make it possible for some New Dealer to win the Presidency next time without the third-term handicap.

Careful study of the election situation by experts forces the conclusion that, unless Wallace can vindicate himself and his farm program, it will be absolutely necessary for Roosevelt to run if he is to keep the New Deal in the White House. Otherwise, he'll have to accept Hull as a compromise or permit the Democratic party to name Garner, Byrd, Jesse Jones, or someone else who can get the backing of Democrats hostile to the Roosevelt economics.

Evidence from Primaries

THIS SITUATION is partly due to the complete failure of the New Dealers to win any state primaries where there was a strong organization against them. Part of it is due to the fact that the magnificent political machine constructed by Farley cannot be controlled by the Corcoran-Cohen-Ickes-Hopkins wing of the party.

More important, however, is the fact that no one is even running in the election this year whose victory would boost the chances of any 100% New Dealer for the Presidential nomination. An exception might be made for Sen. Barkley in Kentucky, but to many idealistic New Dealers, as well as to the conservative Democrats, Barkley has been anathema since the odors of the WPA campaign machinery grew so objectionable last spring.

Sheppard Rebels

HITHERTO A regular and almost humble follower of the national Democratic leadership, no matter who was in the driver's seat, Sen. Sheppard of Texas is "mowing Barkley down" by his activities as chairman of the Campaign Expenditures Investigating Committee. The Senate won't get sufficiently worked up over the report Sheppard is writing "with some special investigators still working" to refuse Barkley permission to retain his Senate seat. On the other hand no one thinks, from the set of Sheppard's jaw, that Barkley will look like Presi-

dential timber after Sheppard is finished with him.

Wallace at the Bridge

WALLACE ALONE of the real New Dealers remains unsmeared, if one eliminates those who simply lack political sex appeal, as for example Ickes, Hopkins, Bob Jackson. His weakness is the low price of farm staples after six years of operation. His alibi is, of course, that the Supreme Court kicked out AAA and left him for two years without a crop con-

To the Cleaners



Wide World
Chairman McNinch of the Federal Communications Commission put a stop to a Congressional investigation of FCC last session but his "house-cleaning"—or lack of it—has stirred up so much dirt that a probe next year seems inevitable.

trol program, but it is not so easy for the "Ins" to talk theory and reform after they have been in for six years.

Iowa and Ohio Critical

So Wallace's White House boomlet is wrapped up in the tough Senatorial battle in his home state of Iowa, where he has staked everything on defeating ex-

Senator Lester Dickinson with "Yes, But" Sen. Gillette. It also hangs a little on Ohio, where the industrial sections are expected to go overwhelmingly Democratic but the rural areas have soured on the New Deal. Democratic victories in Iowa and Ohio would put Wallace way out in front, unless Roosevelt really wants the nomination himself.

Counting on Upswing

INSTRUCTIONS ISSUED TO WPA by Roosevelt to stretch its \$1,357,000,000 appropriation for work relief until Mar. 1 represent his hope in the current upswing in business. Congress appropriated the money for an eight-month period but authorized him to push it out in seven months if necessary. He still intends to do so "if necessary" but WPA's record and present prospects indicate that the \$764,000,000 still on hand may last out.

The outlay of \$593,000,000 for July, August, and September was about \$45,000,000 below estimates, and Aubrey Williams optimistically estimates that, at 3,130,000, the relief load now has reached its peak, with future "intake" during the winter months balanced by absorption of relief workers in private employment as business activity picks up.

Dust-Bowl Prescription

RAISING CATTLE-FEED instead of wheat and continuing development of large and small reclamation projects is the prescription for Dust Bowl rehabilitation issued by the President's Great Plains Committee after several years of study.

Recognizing agriculture as the fundamental basis of the region's economy, the committee's idea is to substitute safe and sane practices for the gamble involved in planting wheat and then praying for rain. To speed up the change it suggests that relief money and relief labor be used on irrigation construction, hitherto stymied in this region by the scarcity of "self-liquidating" projects.

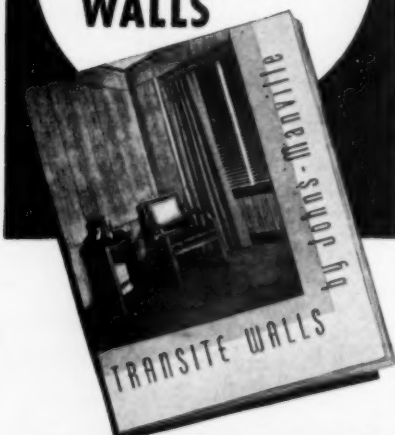
TNEC to Probe Chains?

INVESTIGATION of chain store operations is on the Temporary National Economic Committee's slate for consideration. Sen. King will oppose. The conservative Utah Democrat is responsible for most of the bickering regarding the conduct of the monopoly investigation. Incidentally, Rep. Patman has no quarrel to pick with A.&P. for its campaign against the death sentence chain store tax. He figures that both sides are using the same methods in carrying the fight to the people and expects it to be tough. The Robinson-Patman act's brokerage provision stood the test this week when the

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Supreme Court upheld the Federal Trade Commission in the Biddle case (p. 17).

Railroad Argument

THE RAILROADS won the argument before the emergency board but are not so optimistic as to believe that this will get them a decision for a wage cut. The tip-off is that if Roosevelt sits on the board's report, due Oct. 27, till after election day, there's some good news in store for the managements, but dopesters opine that the President will have good news for the employees before election day and insist that railroad ills must be tackled at the root.

FCC in Hot Water

CONGRESSIONAL INVESTIGATION of the Federal Communications Commission, forestalled by Chairman McNinch last session, is inevitable next year. Sen. White of Maine is ready to send FCC to the cleaners as McNinch's housecleaning has only stirred up dirt.

Speculation points to the likelihood that Roosevelt himself will use whatever authority Congress gives him on government reorganization to renovate the Commission. A Congressional investigation will, of course, discredit the Commission's findings in the A. T. & T. investigation and its investigation of chain broadcasting now under way.

McNinch's current purge of the organization will be confined mostly to the legal and examining divisions. Davis G. Arnold, chief examiner, will follow Hampson Gary, ousted general counsel. Frank Wisner, director of information, is on the skids. T. J. Slowie, the Commission's secretary, will keep his job but get a spanking for playing politics.

Wallace vs. Hull

SEC. WALLACE'S CONCERN about how to find markets to help take care of the big farm surpluses will be smoothed down a little right after the election on Nov. 8. Not that there is any connection, save coincidence, but the British trade agreement will be announced then, and it will be surprisingly beneficial, so insiders claim, to American farmers.

It's natural, however, that the State Department should play up this feature, since Sec. Hull regards Wallace's export subsidy ideas as dangerous as dynamite to his reciprocal trade plan.

No Exchange Problem

PRESS REPORTS to the contrary notwithstanding, the British trade agreement will not be hamstrung by difficult provisions on the sterling-dollar exchange ratio. Every agreement signed under the Hull program has carried a general provision that, in event of wide exchange fluctuations, the countries involved would restudy the pact.

Undoubtedly, such a provision will be in the British agreement but, it is pointed out, the recent downward fluctua-

Wage-Hour Rules

ADMINISTRATOR ELMER ANDREWS of the wage-hour division, the most harassed man in the country beginning on Monday (see p. 18), packaged the proposition in his own way this week when he estimated that, although 11,000,000 workers would come under the act, only 750,000 would have to be raised to meet the law's minimum of 25¢ an hour.

Following his first interpretative bulletin (BW—Oct 15 '38, p. 17), Andrews issued another this week, describing regulations to follow in employing learners, apprentices, handicapped persons, and messengers at rates below the minimum. Employment at a lower rate to prevent curtailment of job opportunities will be permitted only under special certificates, for which application should be made to the Administrator. Applications may be filed by individual employees, but preferential consideration will be given groups representative of whole industries or big sections.

Andrews also defined executives and administrative employees (exempt under the act) as those whose primary duties were management, direction of the work of others, hiring or firing, and discretionary authority not given ordinary workers, and customarily drawing not less than \$30 a week. Outside salesmen and local retailing employees also were defined, as those whose work was accurately described by those terms.

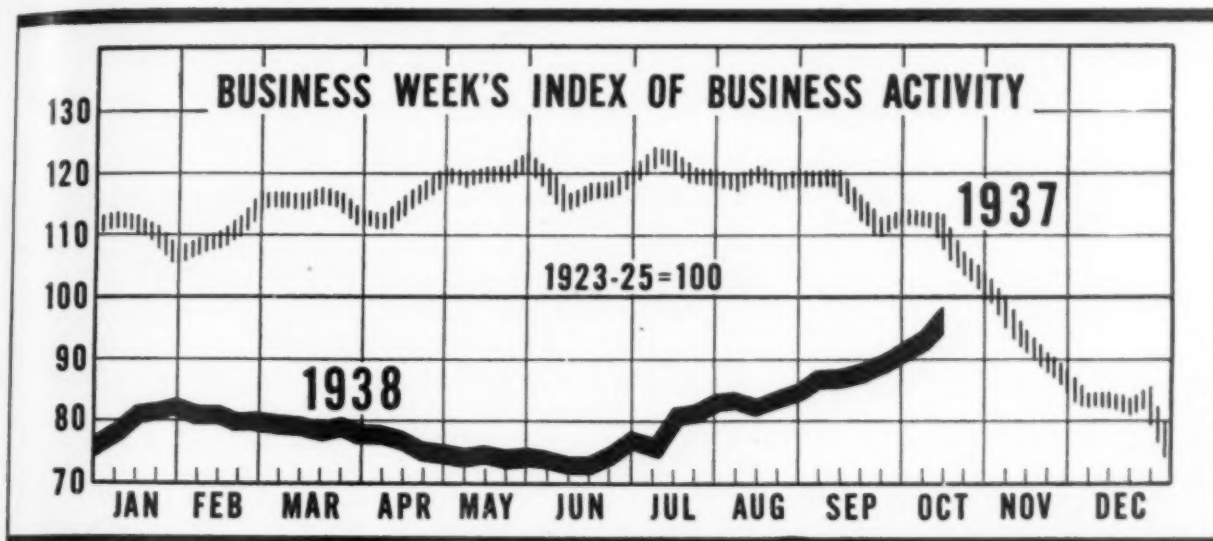
tuations of the franc did not necessitate reopening of the French agreement and Washington experts maintain recent London news reports on rate changes in the coming pact are wide of the mark.

Steel Labor Drive

THIS WEEK'S reiterated ruling by the National Labor Relations Board that Republic Steel violated the Wagner act in connection with the "Little Steel" strikes of 1937, and that some 5,000 workers who struck must be reemployed, is seen as definitely ending the marking-time period which industrial unionism has observed for nearly a year.

All C.I.O. organizers, particularly those working on unorganized steel plants, will begin immediately to use the Republic ruling to get new converts. Incidentally, close students of the organized labor movement see the possibility of preliminary negotiations for a contract between the Steel Workers Organizing Committee and at least one member of "Little Steel" beginning within a fortnight.

THE FIGURES OF THE WEEK



THE INDEX

PRODUCTION

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
*Steel Ingot Operations (% of capacity).....	49.4	51.4	47.3	32.4	55.8
*Automobile Production.....	50,340	37,665	16,100	62,021	89,635
*Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$4,071	\$3,591	\$3,740	\$2,945	\$2,622
*Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$10,065	\$10,355	\$10,456	\$8,144	\$7,366
*Electric Power Output (million kilowatt-hours).....	2,183	2,154	2,215	1,958	2,276
Crude Oil (daily average, 1,000 bbls.).....	3,272	3,249	3,239	3,385	3,602
Bituminous Coal (daily average, 1,000 tons).....	1,318	1,321	1,296	960	1,608

TRADE

*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	73	73	70	60	83
*All Other Carloadings (daily average, 1,000 cars).....	44	43	38	27	53
Check Payments (outside N. Y. City, millions).....	\$3,313	\$4,409	\$3,642	\$3,478	\$3,814
Money in Circulation (Wednesday series, millions).....	\$6,667	\$6,640	\$6,550	\$6,380	\$6,585
Department Store Sales (change from same week of preceding year).....	-8%	-15%	-7%	-7%	

PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	142.8	144.2	144.0	141.1	189.8
Iron and Steel Composite (Steel, ton).....	\$36.13	\$36.61	\$36.50	\$38.59	\$39.60
Scrap Steel Composite (Iron Age, ton).....	\$14.17	\$14.25	\$14.25	\$12.25	\$15.58
Copper (electrolytic, Connecticut Valley, lb.).....	11.206¢	10.863¢	10.313¢	10.000¢	12.000¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.66	\$0.64	\$0.65	\$0.85	\$1.03
Sugar (raw, delivered New York, lb.).....	3.10¢	3.14¢	3.00¢	2.85¢	3.18¢
Cotton (middling, New York, lb.).....	8.55¢	8.50¢	8.16¢	8.93¢	8.55¢
Wool Tops (New York, lb.).....	\$0.839	\$0.840	\$0.804	\$0.830	\$0.978
Rubber (ribbed smoked sheets, New York, lb.).....	17.01¢	17.15¢	16.27¢	12.52¢	16.07¢

FINANCE

Yield—Corporate Bonds (Standard Statistics, 45 issues).....	5.70%	5.74%	5.95%	6.72%	5.14%
Yield—U. S. Bonds (average of all issues due or callable after 5 years).....	2.28%	2.30%	2.43%	2.48%	2.65%
Yield—U. S. Treasury 3-to-5-year Notes.....	0.66%	0.67%	0.87%	1.01%	1.42%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6-months, N. Y. City (prevailing rate).....	%-1%	%-1%	0.75%	%-1%	1.00%
Business Failures (Dun & Bradstreet, number).....	226	192	232	278	174

BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	15,604	15,396	15,443	14,425	14,801
Total Loans and Investments, reporting member banks.....	21,295	21,189	20,964	20,794	21,999
Commercial and Agricultural Loans, reporting member banks.....	3,924	3,896	3,905	4,246	4,671
Securities Loans, reporting member banks.....	1,233	1,209	1,302	1,164	1,834
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	9,731	9,734	9,464	9,131	9,050
Other Securities Held, reporting member banks.....	3,292	3,215	3,165	3,096	2,955
Excess Reserves, all member banks (Wednesday series).....	3,050	3,020	3,131	1,727	992
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,605	2,593	2,596	2,602	2,558

STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	130.1	128.1	116.3	102.2	113.1
20 Railroads, Price Index (Standard Statistics).....	31.5	31.4	25.8	23.2	34.1
20 Utilities, Price Index (Standard Statistics).....	67.4	62.5	54.9	51.8	59.1
90 Stocks, Price Index (Standard Statistics).....	104.5	102.3	92.1	81.6	91.9
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	2,191	1,828	1,019	949	3,709

* Factor in Business Week Index. * Preliminary, week ended Oct. 15. † Revised. ‡ Data for "Latest Week" on each series on request.

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October 22, 1938

THE BUSINESS OUTLOOK

Recovery movement surpasses expectations and is likely to continue half a year more. Steel industry restores prices and will try to maintain a solid front against concessions.

THE OUTSTANDING FEATURE of the past week, from the point of view of this column, has been the jump in the BUSINESS WEEK index of business activity. With an advance of 4% in a single week (which may or may not be reduced when the final figures appear), it has made one of its two biggest gains of the present recovery and one of its three biggest gains since 1935. At a level of 98.6 (measured as a percentage of the 1923-25 average), it has actually regained 48% of the total loss between the top week in July, 1937 (when it touched 124.6) and the low week of June, 1938 (at 74.3). Business recovery is not only in full swing, but its rate of improvement has decidedly surpassed expectations.

Nearly All Lines Gain

The gains in the index were distributed over all of its components excepting residential building. Electric power production seems to have resumed its advance, interrupted for several weeks partly or mainly as a result of the September hurricane. Automobile production is moving firmly ahead on its new model year, this week's advance being the fourth in succession. It is especially notable that carloadings are still advancing at a season of the year, mid-October, which has often seen them making their downturn.

Steel Puts Prices Back

In the last few weeks the steel industry has given definite cause for concern. Although the rate of operations stepped up smartly—at a better than seasonal rate—price-cutting developed on a serious scale, particularly in automotive products.

But on Wednesday leading producers took concerted action to reassert control over the steel price structure (page 16) and rescinded recent concessions in an effort to stabilize profits and prices. Quotations were restored to the levels established on June 24, when the United

States Steel Corp. cut prices and eliminated basing point differentials.

Although price-cutting brought forth some advance buying from automobile manufacturers, it undoubtedly caused hesitancy among other steel consumers, and was a factor in the moderate decline in steel operations this week to 49.4% of capacity from 51.4% last week.

In the Outlook



Increased activity in the motor plants as the new-car season gets under way figures importantly in the fall outlook. The automobile industry's contribution to the upturn was italicized this week by the optimistic statement of Chairman Alfred P. Sloan, Jr., of General Motors (above), announcing plans for rehiring men and restoring pay cuts made last winter.

The restoration of prices to June 24 levels is a definitely hopeful sign, but too much optimism is not yet warranted. It remains to be seen whether the industry can maintain a solid price front.

Consumers, once having tasted success in whittling prices down, are bound to try again. Which means that in the next few weeks buying will be confined to immediate needs—until the price stabilization move carries conviction.

Once the industry ends its internal price war, its chances of getting the steel unions to consider a wage reduction will be increased. While prices were crumbling, the unions could answer a request for a wage cut with the statement that the steel industry should try to "help itself first."

Two Main Buying Industries

The future of steel production, and with it of the whole business cycle in this country—whose principal movements are seldom in the opposite direction from that of steel production—depends on the probable purchases from the consuming industries—automobiles, buildings, railroads, and miscellaneous. From railroads there is little expectation of important buying unless and until the wage cut problem is decided. Purchases from the miscellaneous industries will depend in turn largely on the course of the business cycle as a whole. It is automobiles and building on which the steel industry today bases its principal hopes.

Auto Outlook Brightens

The automobile outlook, although it must remain obscure at least until the automobile show next month, is nevertheless steadily brightening. This week was marked by an optimistic announcement by the chairman of General Motors, in contrast with much more pessimistic statements from the same source one and two months previously.

The recall of 35,000 workers to the plants spoke as eloquently as did the restoration of pay cuts made to clerks

and officials. It is reported from many parts of the country that the dealers are showing an active interest in the new model cars, and the automobile companies have begun talking among themselves of a possible 4,000,000 car year for 1939. The mere possibility of such a sharp upturn in this industry as this would involve is a strongly optimistic factor for the whole economy.

Bullish on Building

Furthermore, the same possibility of sharp improvement in the spring of 1939 appears in the building industry as well. Mortgages reviewed by the Federal Housing Administration are steadily running at twice their figures of a year back, the United States Housing Authority is getting ready for its first large actual expenditures, and private financial interests—banks and insurance companies—are showing increasing interest in the residential building field.

At the same time, there is every reason to expect a marked upturn in public works contracts with the coming of spring, as the federal spending program swings into its peak period.

Full Winter of Recovery

The seasonal shape of both the automobile and construction curves this year may easily result in some slipping off of the business curves in the early winter. When this occurs, however, it will be no sign that the whole recovery movement has come or is coming to an end. The momentum it has acquired and the cumulative force of federal monetary, credit and spending policy ought to carry through for six months more.

Auto Cuts Reflect Sales Hope

Figuring on increased volume, motor manufacturers have cut prices, but they are not as low as they were in 1937, largely because of labor costs.

NEW YORK'S National Automobile Show, staged by the motor manufacturers, is the traditional curtain-raiser for every new automobile season. This year, when the show opens at the Grand Central Palace on Nov. 11, there won't be much of a curtain left to raise. New model announcements have been trickling out of Detroit for the past month or more, and advertisements have widely heralded the new and generally lower prices. With Chevrolet announcing this week and with Ford scheduled to present his 1939 models, including the new Mercury, next week, there isn't much mystery left in the 1939 automotive picture. Except, of course, the vital mystery of what sales performance will be.

As far as manufacturers are concerned, they are gambling on a big increase in volume. That's the significance of the big price reductions which they have put into effect despite increased labor costs (see table).

Even with all its pencil sharpening, however, the industry has failed to whittle prices down to the early 1937 level. Generally speaking, the prices are even somewhat above those which prevailed just before the 1938 show and after the last price jump, instituted when the indus-

try was facing a sharp decline in sales.

The reason the cuts are not bigger, as might be expected in view of the recent steel price cuts is to be found, of course, in the mounting labor cost and the relatively lower level of labor-efficiency which has characterized most of the plants since the unionization of the industry. Manufacturers are not particularly hopeful of improvements in either direction during the fall and winter months. Using the up-swing in business as a lever, unions are once more bringing pressure to bear on the industry to grant further concessions.

The fact that the 1938 slump postponed most of the large equipment buying programs also acts as a retarding factor. Some of these are already being revived as a result of the improved outlook for business.

In reducing prices, the industry has also had to keep in mind the plight of its dealers, who were largely caught unaware last fall when the bottom dropped out of new car sales. While dealer gross profits per car are slightly reduced as a result of price cuts, the percentage reduction is not in direct relation to the price reductions, thanks to increases made by numerous manufacturers in discount scales.

Up and Down with the Automobile Prices: 1937 to 1939

Most four-door sedans show marked reductions from last year, but the new cars are generally higher than they were 18 months ago.

Model	1939	1938	Aug. '37	Apr. '37	Model	1939	1938	Aug. '37	Apr. '37
Buick 40.....	\$996	\$1022	\$995	\$950	LaSalle.....	1320	1380	1320	1260
60.....	1246	1272	1207	1162	Lincoln Zephyr.....	1360	1375	1265	1265
80.....	1543	1645	1518	1418	V-12.....	NA	4900	4547	4547
90.....	2074	2176	1760	1660	Mercury.....	NA	None	None	None
Cadillac 60.....	1680	1780	None	None	Nash Lafayette.....	NA	850	845	810
Fleetwood.....	2995	3080	2190	2090	Ambassador 6.....	NA	1050	1025	960
V-16.....	NA	5135	7595	7495	Ambassador 8.....	NA	1200	1165	1080
Chevrolet.....	NA	730	700	667	Oldsmobile 60.....	880	None	None	None
DeLuxe.....	NA	796	770	739	70.....	952	967	920	875
Chrysler Royal.....	1010	998	910	910	80.....	1043	1078	1035	990
Imperial.....	1198	1198	1100	1100	Packard 6.....	1095	1175	1060	995
DeSoto.....	970	958	870	870	120.....	1295	1325	1235	1170
Dodge.....	855	898	820	820	Super 8.....	2035	2790	2830	2480
Ford 60.....	NA	685	639	604	V-12.....	4155	4155	3870	3670
85.....	NA	710	671	646	Plymouth Roadking.....	726	730	665	665
Graham Standard.....	965	1025	935	935	DeLuxe.....	791	803	745	745
Supercharger.....	1095	1198	1050	1060	Pontiac Six.....	866	None	None	None
Hudson 112.....	NA	755	None	None	DeLuxe 6.....	922	916	881	836
6.....	NA	864	845	790	Eight.....	970	960	939	894
8.....	NA	1060	1065	995	Studebaker Commander.....	965	965	880	880
Hupmobile Senior 6.....	995	1045	None	None	President.....	1110	1195	1165	1165
Senior 8.....	1145	1305	None	None	Willys.....	NA	573	589	589

NA—Not announced.

None—No comparable model.



Second of the "big three" to announce—Plymouth unveiled a month ago—Chevrolet this week was talking about such features as vacuum gearshift on the steering column (optional); coil springs on the front end of Master Deluxe models, tubular construction for front seat frames.

Utility Peace to Prepare for War

New Dealers indicate they will let up on private companies in return for interconnection of systems, as part of military preparations.

UNDER THE GUISE of national defense, peace between Washington and the public utilities can be made. Some people fervently hope this peace already is as good as made; others, skeptically minded, remember that the New Dealers* extended the olive branch just before election time in 1936.

The truce in 1936 terminated right after the Roosevelt landslide. It had sent public utility stock prices boiling upward and presumably softened the hearts of many who owned such securities.

The story, stock-marketwise, is being repeated with a verve that indicates Wall Street is taking these new peace overtures seriously enough to bet a lot of money on them.

Move toward Compliance

There are two big points in these new peace moves:

1—The fine sound of "national defense" can be made to do a good bit of face-saving for die-hards on both sides.

2—Long strides have been taken by the power companies toward voluntary compliance with the heretofore most objectionable phases of federal regulation (although the companies' suggestions on compliance may not, in the final analysis, prove adequate even as a groundwork for getting together).

There have been a lot of informal con-

ferences between utility men and key officials in Washington. The result is that at least an important part of the utility industry manifests sincere hopes for a broad, reasonable, and lasting settlement.

The matter of voluntary compliance concerns, principally, the so-called death sentence embodied in Section 11 of the Public Utility Act of 1935. That's the long-fought-over clause which would compel all holding company systems to integrate along geographical lines and to simplify along financial lines. Secondly, compliance involves acceptance of the New Dealers' demand that 1920-29 water be squeezed out of utility valuations upon which electric rates are based.

A lot of holding companies have been working for years on financial simplification. A few, like Columbia Gas & Electric and American Water Works & Electric, have integrated and interconnected pretty completely along geographical lines. Deadline for submission of tentative plans for compliance with the death sentence has been set at Dec. 1 by Chairman W. O. Douglas of the Securities and Exchange Commission, and most if not all of the big systems will be ready.

First to tell what his plan will be is C. E. Groesbeck, chairman of Electric Bond & Share Co. He says that this matter of compliance "should now pass from the emotional stage, and it is to be

hoped from the political arena as well, into a practical stage."

His contribution to practicality is that which BUSINESS WEEK revealed on Sept. 17 (page 26). In that issue BUSINESS WEEK presented a map outlining the properties, showing how they fall into three major groups. Mr. Groesbeck confirms the fact that these properties will be rearranged "in the family." He will come out with three major sets of properties, each with a top holding company. One set will be in the Pacific Northwest, a second will group the properties centering in Texas, a third will comprise the Eastern properties centering in Pennsylvania. All three will be completely interconnected. Electric Bond & Share will sit at the top, not as a parent holding company, but more as an investment company interested in these properties.

Laud "Cooperative Spirit"

This public announcement of compliance drew from President Roosevelt and Chairman Douglas immediate and enthusiastic praise for the spirit of cooperation, although there was no hint that they approved of the method. Yet, whether they approve of it or not, the plans the other companies present on Dec. 1 will specialize in this regrouping of properties within the family.

Cooperation between government and the private utilities on national defense has many angles. First off, Washington officials feel that conferences with the utility men show the need for a billion-dollar expenditure on steam generating plants. They count on a utility peace to bring out this expenditure. They'll pony up long-term, cheap-interest Public Works Administration money to carry out the construction. (Veiled threat is that Uncle Sam will build if the companies don't.)

The industry, eager as it is for the



Harris & Ewing

Chairman Douglas of the Securities and Exchange Commission set Dec. 1 as the death sentence deadline.



Chairman Groesbeck, Electric Bond & Share, hopes compliance will "now pass from the emotional stage."

peace, doesn't feel that the expenditure will be anything like a billion. But executives are at least ready to restore very large sums to annual construction budgets—budgets that have been deeply pared in these recent years of warring with Washington.

In the Washington conferences, the talk has been of wide interconnection of properties for war preparations. This means a lot more than mere interconnection of lines within a single holding company system. It contemplates interconnection of separate systems. Above all, it looks toward hooking the private companies onto the lines of the government's big power projects—which would seem to imply a strenuous curb on federal competition with private companies, and some retreat from yardstick rates.

To get all this, there would have to be compromise between government and private attitudes on valuations for rate-making purposes, some all-around revision of power company charges for juice.

War Is Too Expensive

Meanwhile, the election hasn't been held and there still are fears of a Washington about-face after Nov. 8. Yet, above all, there are a lot of people in Washington and in companies who think it can be done. Even as John Wesley Hanes, Wall Street's contribution, first to the SEC, and now to the Treasury, says:

"The battle between the government and the public utilities has been fought. Let us have peace. The price of war is too great."

The companies feel the same way. They've taken a beating, which comes out of the pockets of their investors. They feel that concessions now being made give the New Dealers almost all they ever wanted. They're suing for peace.

Steel Rescues Its Prices

Manufacturers wipe out their recent \$6 reductions, which automobile industry had forced. Higher levels may permit fourth-quarter profits.

IN A CONCERTED MOVE to shore up its creaking price structure, the steel industry this week rescinded all recent price cuts and restored the levels established on June 24, when United States Steel Corp. made reductions of \$5 to \$8 a ton and eliminated basing point differentials.

The new prices took immediate effect, and wiped out the \$6 concession on hot and cold rolled sheets and strips made this month to the automobile industry. Not only were automotive steels involved, but the "stabilization" movement spread to galvanized products, wire nails, structurals, reinforcing bars and all other prices which had shown signs of "giving" at the slightest provocation of a large order.

Back of New Price Move

Objectives of the price rescission were threefold: (1) to break control of the automobile manufacturers over steel prices; (2) to squeeze out some semblance of profit from present steel operating levels of 50% of capacity; (3) to present a stronger case in bargaining with steel unions for a wage reduction.

There was no official announcement as such. Steel companies which normally supply a major part of motor requirements merely notified their customers that concessions were "off." The word quickly spread. That was on Wednesday. Only the day before, the steel makers, in their zest for orders, had lopped another \$2 on sheets and strips (making a total of \$6) to pry loose orders from the motor industry.

As a consequence of the price war—which all companies deplored, but which no company, individually, could stop—the Worth Steel Co., of Claymont, Del., decided to suspend production of hot rolled sheets, on the theory that it was cheaper to relinquish tonnage than to take a loss on each ton sold.

Repercussions of Instability

Price instability caused havoc in the steel trade. With each drop, jobbers and warehousemen suffered inventory losses, became more wary of placing new orders to replenish stocks. Consumers, who did not require steel for immediate use, hesitated to make commitments at any price—not knowing where the next quotation would be. The situation was as chaotic as that which prevailed when U.S. Steel changed its pricing method back in June (BW—Aug 20 '38, p16). But at that time, the disorder was the result of getting

readjusted to the elimination of basing point differentials; this time, the disorder was the result of nervousness.

The price war was traceable to no company directly. With large unused plant facilities, all large producers were determined to be "competitive." When one company cut to get a slice of business, others followed. Result: no company increased its share of the available business, and all companies took a cut in price and profits per ton.

Canny purchasing agents played upon this competitive psychology. They would suggest that "x" company was ready to make a concession, and the salesman for "y" company, rather than take a chance on losing an order, would snap at the bait. Once other consumers observed that the automobile industry could beat down the quoted prices, they followed suit. Ironically enough, the automotive industry outbluffed the steel mills at the very time that the steel companies were in a fairly strong bargaining position—when the automotive companies had to have steel for fall production and to meet dealer demands at Show time.

Effect on Dealings With Labor

Each time steel prices went down, the chances for getting a wage readjustment from the steel unions were reduced. Philip Murray, chairman of the Steel Workers Organizing Committee, came out with a statement that the workers could not be expected to take cuts when steel companies were fling down their profits in a price war, said that it was up to the industry to get its house "in order."

If the industry can hold the restored price level, the possibility for profits in the final quarter will be substantially increased, for the breakeven point for most of the large companies is around the 50% of capacity level now prevailing. But most motor business has already been placed at levels \$4 to \$6 a ton below June 24 prices. The stock market seemed to place faith in the concerted move. Steel stocks rallied on the news. But consumers are still likely to wait and see whether the new price front in the industry is really a united front. Which means continued buying hesitancy in the next few weeks.

The move to restore price levels was born of desperation. Steel men recognized that the price war was slow suicide, that only companies with the strongest treasuries could survive.

Sidestep Price Law

Supreme Court inferentially upholds Robinson-Patman brokerage ban in Biddle case, but distributors know a way around it.

REFUSAL of the Supreme Court this week to review the case of the Biddle Purchasing Co., charged by the Federal Trade Commission with violating the brokerage section of the Robinson-Patman law, leaves the trade just about as much in the dark as it has been for the past two years about the exact legal meaning of the law, but it makes even more clear and emphatic some of the major shifts in marketing techniques bred by that law.

The Robinson-Patman law, enacted in June of 1936, was designed to put teeth into the Clayton act's general prohibition of price discriminations. It outlaws brokerage diversion, advertising allowances (unless made available on proportionally equal terms to all customers), and quantity discounts (unless justified by savings in the cost of manufacture, sale, or delivery).

Background of the Case

The Biddle organization, first company to run afoul of the law, has since 1879 operated as a broker in groceries, hardware, general merchandise and dozens of other commodities, but it has been set up on a basis to render service both to buyers and sellers—a combination function which the FTC said Biddle could not legally discharge under the Patman law with its emphasis on a segregation of marketing functions. Biddle sold goods for 5,500 producers, collecting from them brokerage commissions ranging from 1% to 5%. It sold goods to some 2,400 buyers, including 495 grocery wholesalers operating voluntary chains. Because all of these buyers were subscribers to Biddle's twice-a-week price reporting service, covering "on the spot" marketing conditions, and because these buyers paid \$25 to \$50 a month for this service, Biddle rebated to them all of its brokerage fees.

Disagree with Company's Plea

Biddle contended that it was not violating section 2(c) of the law which forbids payment of any brokerage or commission to a buyer "except for services rendered in connection with the sale." That proviso in favor of service rendered, the company argued, let it out. The FTC said no. The Circuit Court of Appeals said no. And in effect, by refusing to review the case, the Supreme Court this week said no.

Although the exact meaning of the disputed section will have to wait for another case—probably that involving the Great Atlantic & Pacific Tea Co., which makes quite a point of the services it renders sellers as justification for brokerage collections—the Supreme Court ac-

tion this week makes clear that the brokerage ban cannot be successfully attacked on constitutional grounds, for the argument that it violated the Fifth Amendment was one of those advanced by Biddle which was swept away by the Circuit Court and—by implication—the Supreme Court.

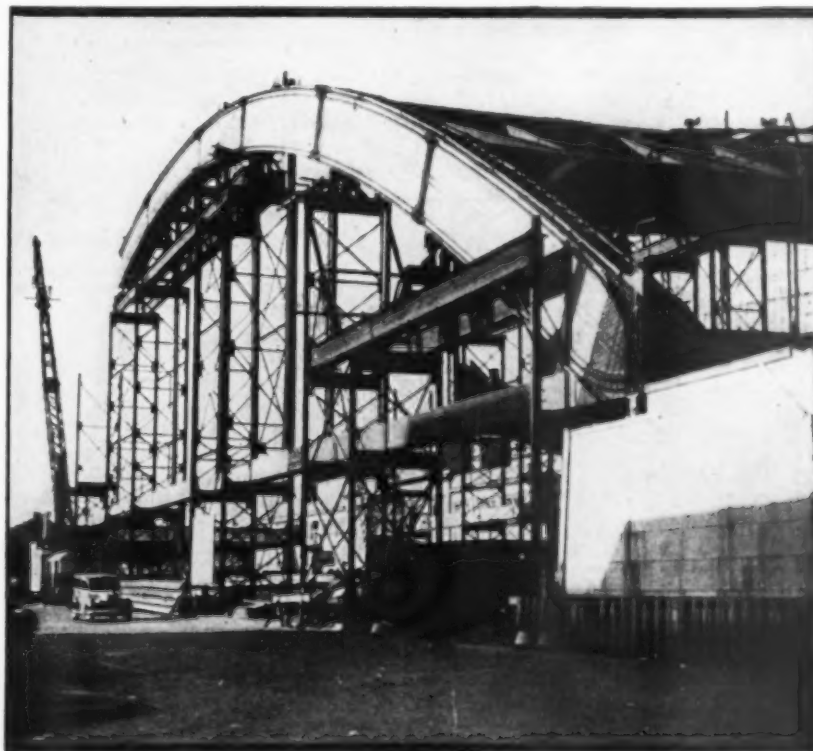
But trade developments set in motion by the passage of the Robinson-Patman law have progressed to such an extent that a good many distributors aren't going to be too terribly worried about the constitutionality of the brokerage section. They've found a way to pass on that vital 5%. Biddle's recent buying and selling arrangements illustrate the technique. When the FTC cease-and-desist order was issued in July of last year, Biddle put its operations on a "net purchase" basis. The system works in this way: Biddle buys a carload of peaches or pins or pumps and sells them to those buyers who subscribe to its price-reporting service at a uniform net price, which is equal to the gross price minus such brokerage commissions, discounts, and allowances as Biddle would have collected

and deducted under the old system. There just isn't any more brokerage. It isn't mentioned. But Biddle's buyers get their goods at the same low price—or lower.

Biddle's System of Dealing

It might be thought that Biddle ran the risk of violating other sections of the law which forbid the giving or accepting of a discriminatory price. Biddle generally doesn't deal with big suppliers who sell to both big and little customers; it buys mainly from those suppliers who sell only to other big distributors like itself—suppliers who can sell at a good low "net price" because they are selling only on that basis to other customers—corporate chains, big wholesalers, voluntary chains. This system—big distributors dealing only with selected suppliers who limit themselves to that kind of price business—was foreseen at the time the Robinson-Patman law was passed. It's the system which means an even wider price gap between the private brand or unbranded goods and the nationally advertised brands.

Bridge without a River



Engineering News-Record

Closure is now being completed on one of the most unusual bridges in the world—a 360-ft. two-hinged tied arch on the southward extension of New York City's West Side Express Highway. No such major structure, it is believed, has ever been built to span dry land. Choice

of such design for an elevated highway was dictated by desire for a column-free crossing for Canal St., and by the presence underground of a sewage screening plant and the Holland Tunnel which would seriously complicate design of a column-supported structure.

LABOR AND MANAGEMENT

This Monday is Wage-Hour Day

New law takes effect Oct. 24 and Administrator Andrews is ready to go, putting 20 or 30 inspectors in the field at once, with more later.

WASHINGTON (*Business Week Bureau*) —At 12:01 a. m. Monday, Oct. 24, the new federal wage-hour law will go into effect. Interstate business everywhere (including the District of Columbia and territories, except the Philippines) will be expected to comply with the 25¢ minimum for hourly wages, the 44-hour maximum for regular work-weeks, and the time-and-a-half pay for overtime beyond 44 hours, as set forth in the statute.

Short of money, and with a staff of around 100 persons to do the work of 1,000, Administrator Elmer Andrews hopes that voluntary compliance will be the rule for those covered. He has cleared up many questions with interpretative bulletins (see page 8) and has divided the country into 12 administrative regions, with headquarters, as yet unmanned, in as many cities. Four regional heads are expected to be appointed

within the next few days, one each for the West, the Lakes region, New England, and the South with others following as fast as they can be selected.

The law applies to occupations and individual workers, not to industries—which makes it impossible to provide a cut-and-dried list of the industrial enterprises that must comply and those that are exempt. As Andrews has pointed out, "Congress intended the widest possible application over interstate commerce," including the production of goods destined for that commerce, but excluding employees who work on products intended for purely intrastate distribution.

Textile Groups on the Job

Lack of adequate preparation, occasioned not by procrastination but by Congress' failure to appropriate more than \$350,000, has forced Andrews to abandon temporarily his plans for indus-

trial committees to set wage scales above the 25-cent minimum. Meanwhile, the textile committee is off to a good start under Chairman Donald Nelson. Two subcommittees are at work, one to determine how much wool may be present in mixed textiles called cotton, rayon, or silk, the other to advise Andrews whether to let knit underwear into the textile tent (the makers want to get in, because they like the "high caliber" of Nelson's committee). Appointment of a tobacco committee is hanging fire temporarily. Preliminary negotiations are under way for appointment of committees in the shoe and garment industries, including dresses and shoes. Beyond these, no committee organization is expected this year.

Andrews is still short one major executive—the Assistant Administrator, who will have charge of wage standards and will handle negotiations with industrial groups for appointment of committees to determine wages above the 25¢ minimum. Andrews wants a high-class industrialist for this job (which pays \$9,000), and so far hasn't found him.

As for policing and enforcement, Andrews expects to have 20 or 30 inspectors in the field by Monday, and possibly that many more in a few days. But mainly he will rely on the defensive eye of workers and unions, plus the jealous watchfulness of competing employers. More inspectors may be added when the Administrator obtains more money from Congress in January. In the last analysis, Andrews is counting heavily on voluntary compliance.

Henry Ford's Back-to-the-Farm Camp Proves a Success



To drive home his theory that prosperity lies in the soil, Henry Ford last spring settled 68 boys on a 400-acre Michigan farm. He housed them in a dozen army tents, gave them what they needed to farm the 400 acres. Now they are harvesting 86 varieties of crops—from corn and soy beans to apples and honey. Many of the fruits of their labor the boys sell at the

roadside market shown at the right. The boys are paid \$2 a day plus food and shelter, and will split the net profits of the camp. Those over the 19-year age limit will be eligible for jobs in the Ford plant—if they don't want to stick to farming on their own. Pleased with the success of his experiment, Mr. Ford is considering new camps for next spring.

Wide World

"Unforeseen events . . .
need not so often change and shape the course of man's affairs"



AFTER THE TUMULT AND THE SHOUTING . . .

The brass bands and oratory have faded, the votes have been counted . . . a new public servant takes office.

State treasurer, county sheriff or city auditor—no matter. He has sworn faithfully to perform the duties of his office, *and has every intention of doing so!* Unfortunately, honest intentions and ability are no *guarantee*. The words "faithful performance of duty" are given broad interpretation where the acts of a public official are concerned. They include honest errors of judgment, circumstances over which he may have no control. In fact, almost any situation in which legal action may be

brought against an official. The complexities of administering a position of public trust are so varied that protection is an absolute necessity.

~ ~ ~

So, the law requires that public officials, before taking office, furnish bonds. It is simply sound business judgment which dictates this provision. The Public Official Bond is only one of some 60 surety and casualty lines which The Maryland writes to protect you against unforeseen events. Near you is one of the 10,000 Maryland agents.

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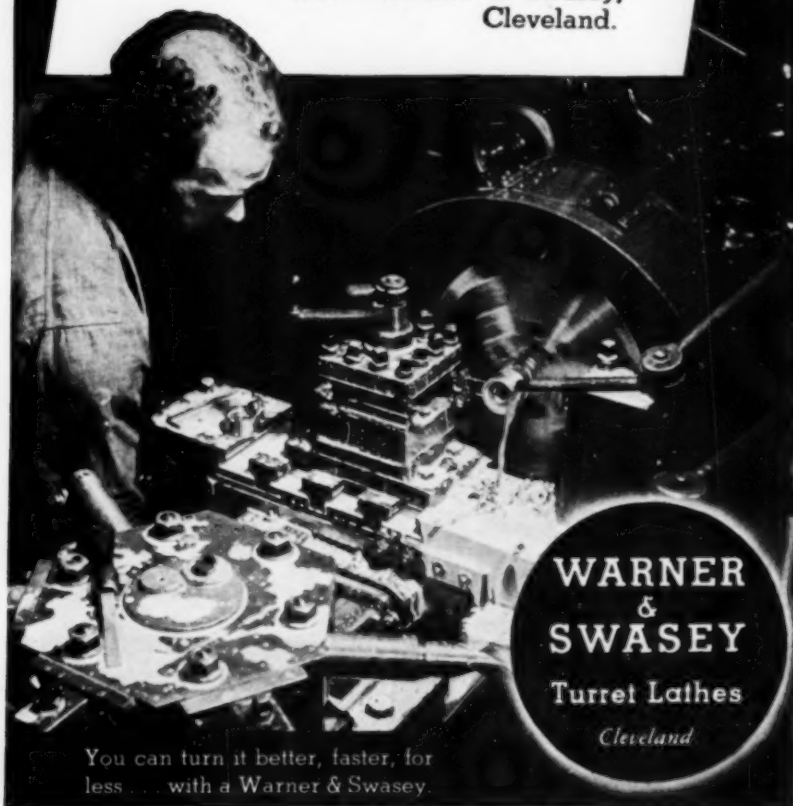
OPPORTUNITY FOR *Executives*

In hundreds of plants Warner & Swasey surveys have resulted in savings as high as \$14,000 a year, in a single department, even on the basis of low production.

It is not necessary to spend a dollar today to find out what you must do to cut costs and make more money. A Warner & Swasey survey will show you — and there's no obligation. You will be given proven facts on your turning work, detailed tooling set-ups, and many other points — all proven to make more money for you.

Get these facts now — and use them. Other plants are doing it. A Warner & Swasey survey can help you be the low cost-high profit plant in your industry — and remember, that's the plant which always gets the business.

Write Warner & Swasey,
Cleveland.



You can turn it better, faster, for less... with a Warner & Swasey.

G. M. Rehires 35,000

Business is helped, and auto workers' union won't press 32-hour plan now.

GENERAL MOTORS brightened the outlook of the whole automotive industry and of the rest of business, and also stimulated the stock market, by announcing a big rehiring and pay-raising program this week. And by the same action it removed any present threat arising from the United Automobile Workers' new "32-hour-week" program.

Alfred P. Sloan, Jr., chairman of G.M., announced that the corporation's new cars are being so well received that greatly improved sales are expected, and therefore the sales plans made last summer have been revised upward, operations will be increased, 35,000 workers will be hired before the end of October, and everyone receiving \$300 a month or less will be restored to the level effective before the pay cut on Feb. 28. Higher-paid employees will get individual adjustments.

Moreover, he promised that the company would again accumulate large inventories in the winter, thus stabilizing employment and preparing for the spring pickup.

Meaning of Work Week Policy

As to the auto union's "32-hour-week" plan, it is not a scheme for reducing the working week and thus sharing the work, as is generally assumed. On the contrary, it represents an about-face in the union's policy.

Fundamentally, Homer Martin's statement means: (1) Now that employment is being stepped up, manufacturers should rehire men until all those on the seniority lists are working 32 hours a week. (2) Then hours should be stepped up as needed. (3) When lay-off time comes around again, the hours should be cut down to 32. (4) Then, manufacturers should lay off men in order to maintain a minimum of 32 hours a week for the remaining employees.

In the past year, most plants cooperated with the union by cutting to 24 hours or less. But the union has decided this policy was wrong. Nobody earned real money, everyone was discontented, and very few paid union dues. Now the union has decided that during slack times, employees on the payrolls should work long enough to get a reasonable income — and be contented and pay dues; and the rest should go on WPA.

That is the ultimate program. But for the present, what Martin really wants is a lot of reemployment. He is satisfied with G.M.'s reemployment of 35,000 men, even though they work 40 hours a week while some men on the seniority lists remain unemployed awhile. But he is putting severer spread-the-work pressure on Chrysler, whose reemployment rate is slower.



The Stenotype and the Businessman

["Machine Age" Efficiency for Your Dictation]

EVERY letter you sign is a collaboration. You supply the words—your secretary supplies their presentation on paper. Neatness, correctness, prompt delivery to your desk . . . your satisfaction, your correspondent's impression, total letter-cost—render the whole operation important.

The executive above is dictating his letters, memos, bulletins, instructions and reports to a Stenotypist. And for only one reason: Stenotypy handles the job quicker and does it better. In cost terms, that's economy.

This fact about Stenotypy thousands of businessmen already know. Others—perhaps yourself—have yet to discover it. Take a minute now, and learn why the Stenotype is worth your discovering . . . and capitalizing.

The Machine vs. the Hand

Stenotypy's logic is simple. Any speedy, intricate operation that must be done by hand is both fatiguing and uncertain. Verbatim speech-recording is such an operation.

Only one thing removes its handicaps . . . the same medium that takes fatigue

and uncertainty out of your other office operations: a MACHINE. And shorthand-writing now has its machine—the Stenotype.

What Stenotypy Is

Stenotypy is the verbatim, phonetic typing of speech for record purposes. The small, silent, automatic-spacing machine shown above accomplishes this . . . accomplishes for shorthand precisely what the typewriter did for longhand: provides speed and accuracy possible only with a machine.

Stenotypy, then, is shorthand's modern version. The "Machine Age" way of speech recording, instead of the "Hand Era" way. In performance it is the ally of your typewriter, comptometer, multigraph, addressograph and mimeograph. It retains the "personality factors" of your secretary—while augmenting her ability to do easier and better work.

Easier work—because she uses ten fingers, and types your dictation in plain English letters. Easier, too, because her speed reserve is equal to fast-talk emergencies. And better work, because her machine-typed notes are always legible, hence transcripts can be made accurately and turned in quickly.



Advantages You Can Verify

The same advantages, in short, which have given Stenotypy leadership in the professional stenographic field (court and convention reporting) commend it for commercial use—in the busy business office. Translated from method into results, Stenotypy assures you:

Greater freedom from "dictation drag." You talk as rapidly as you like—at conversational instead of correspondence speed. That enables you to think better, concentrate, put into your letters a likeness of your natural self.

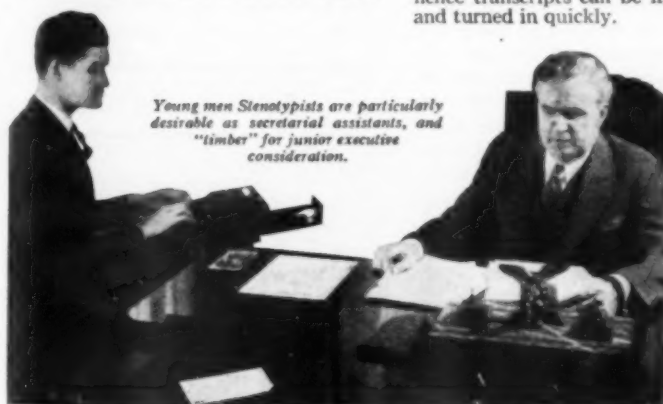
Time saving—both in dictation routine and in emergencies. Stenotype notes being interchangeable (readable by any other Stenotypist or trained typist), you can handle extra volume in "double-quick" by having one operator take notes while another transcribes.

Equally important—in these days of Board Meetings, executive sessions, sales conferences and trade addresses—the competent Stenotypist is available for verbatim reporting that assures invaluable complete records of such proceedings.

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For Proof—

that these advantages of Stenotypy will serve *your* best business interests, fill your next stenographic or secretarial opening with a Stenotypist. Phone your local business college—or our Placement Department will gladly co-operate in locating a competent applicant.



Young men Stenotypists are particularly desirable as secretarial assistants, and "timber" for junior executive consideration.

● FULLER information is offered executives in our interesting booklet, "Stenotypy In Your Office." Request on your letterhead will bring a copy promptly. Simply address Dept. 1038 ST, The Stenotype Company, 4101 S. Michigan Ave., Chicago, Ill.

Seek Code for Management

Lewis H. Brown and others spread the idea of an ethical creed and of increased responsibility for salaried executives in labor and other matters.

WITHOUT A "PLAN" of any kind, or formal association, several important business and government executives were working individually this week to spread an idea which may develop very significantly. The idea is mutual acceptance of a set of principles and responsibilities by professional, or "hired", business management.

Among the men actively engaged in promoting the creed are Lewis H. Brown, president of Johns-Manville; Thomas R. Jones, president of American Type Founders; William L. Batt, president of SKF Industries; Alvin Dodd, president of American Management Association; Arthur D. Whiteside, president of Dun and Bradstreet; Averill Harriman, business-man chairman of the Department of Commerce advisory council; and John W. Hanes of the Treasury Department. Through their associations these men have reached many more; Hanes and Batt, for example, each hold the unofficial proxies of a hundred or more executives.

Idea Expounded by Brown

As far as publicity is concerned, these activities have come to light only twice in a noticeable way—when Brown explained the new concept before the International Management Congress on Sept. 28 (*BW—Sep 24 '38, p.36*) and when Sen. O'Mahoney, chairman of the Temporary National Economic Committee which is directing the government's "monopoly study," reiterated part of Brown's remarks before the New York Board of Trade on Oct. 11.

Those now engaged in popularizing the acceptance of a code of proper ethics and responsibilities are, themselves, all "hired" managers. A good example is Brown, who was a small-town boy from Iowa without wealth or property inheritance, and who was hired first by a corrugated paper company, then (after two years in the army) by Montgomery Ward, finally by Johns-Manville. He has been in the big city of New York only about 10 years, an expert hired to manage the business for the owners—who are banking houses and a lot of stockholders.

It is difficult at this time to tie a string around the aims and hopes of this group and describe them neatly. The unexpressed but real desire behind all this is that professional management make its voice heard in councils with labor, government, and agriculture. It also is evi-

dent to any close observer that a concurrent trend will be the gradual muffling of "typical brass hat" voices.

In its early phase, this movement which has been more or less self-generated relies on repetition of arguments



Sen. O'Mahoney (left) confers with Assistant Attorney-General Arnold on plans for the Temporary National Economic Committee's "monopoly probe." In speeches on committee plans, the TNEC chairman has cited with approval the "management code" for which Lewis H. Brown acted as spokesman at the International Management Congress.

which Brown and others have used to bring open acknowledgment of management's responsibilities to labor, the government, and the farmer and the public generally. Along with this goes pressure to break down class consciousness and the "battle spirit," and to promote mutual discussion of common problems between the various interested groups. Among practical results might be expected to be a diminution of warfare between labor and management, and between business and government, and a growth of better understanding.

There are several ways in which the present activities of the men named might "jell" into a permanent drive, but it is by no means certain that any such development will occur. At present,

the sentiment is accurately expressed as "just planting an idea and letting it grow," with the hope that the obligation and responsibility will find ready takers among thousands of individual business management persons. Looking into the near future, it is possible to anticipate that one of the following events will come about:

1. Increasing revitalizing of present business groups, trade associations, and economic councils, through more up-to-date and honest expressions of the rank-and-file beliefs. This trend, as a matter of fact, already is under way and would be speeded by pressure from the "little fellow" of the second and third ranks in management.

Propose Publicly Stated Creed

2. Public expression of joint support for a definitely stated creed or code, by a considerable number of business leaders who would set their names to a declaration. This idea is being entertained by a few of the original movers, at present, without a decision having been reached. The principal objection, in the words of one of the professional management group, is that such a declaration might sound "like another of these 'Voice from Olympus' plans which try to blueprint the future."

3. Establishment of a new business agency, or a new department in an agency like the American Management Association, to tie together and make productive the sentiments of working management people. Neither the A.M.A. nor any other group has been asked to do this, but it is a possibility. Again the main objection has been, in discussions of such a move, that too much of a "cut and dried, weighty approach" might hurt more than it would help.

Realistic business observers don't expect any developments for some time in the way of permanent agencies springing from the rather individualistic beginning which has been made, but eventual formation of some sort of "group feeling" is entirely likely. For the present and immediate future, the results of the work being done single-handedly now are expected to show up most strongly in business men's statements of policy, and in business groups' public description of intents and plans.

LABOR ANGLES

Martin and Ford

THAT MEETING between Homer Martin and Henry Ford last week was worth all the publicity it got, not so much because of Mr. Ford's happening along as for the genuine indication of progress toward serious consultation, off the record, between the union heads and industrial leaders in the Detroit area. Martin has worked hard over the past year to build

closer, friendly relationships with executives, corporation counsel, personnel directors, and so on, which can be used at any time to initiate candid discussions of mutual problems.

Auto Union's Firmness

MARTIN and the eastern C.I.O. leaders, incidentally, are beginning to like each other better now that they have got better acquainted. In the recent handling of unauthorized strikes by a few U.A.W. locals, there was a firmness and unity among the international's executives not displayed since the union's earliest days. Factionalism is still present among some rank-and-file groups, but it is declining noticeably.

U.A.W. Trial Balloon

THE CHECK-OFF, which is automatic dues-collection for unions by the company paymaster, rears up in the automobile plants. The U.A.W. has sent cards to all members employed by General Motors, urging them to sign them and turn them over to the G.M. management. The cards when signed would authorize the company to deduct the union dues of the signer, and turn them over to the financial secretary of the local union. G.M., of course, wouldn't have to comply. Pressure to make the check-off part of the union contract would be strong if the plan goes over. U.A.W. likes to try out its moves on the biggest producer first, figuring that if it works the competitors will fall in line.

Two Books on Labor

THE LABOR RELATIONS BOOKSHELF had to make room this week for two more interesting volumes: "Labor's Risks and Social Insurance" (second of a series of three by Harry A. Millis and Royal E. Montgomery, McGraw-Hill, \$3.00), and "The Story of the C.I.O." (Benjamin Stolberg, Viking Press, \$2.00). The Stolberg book is an extension and amplification of his articles which were syndicated some months ago by a newspaper chain.

Winners of NLRB Elections

MOST RECENT REPORT by the NLRB on employee elections, covering the fortnight preceding Oct. 12, shows the following record: C.I.O. entered 21 elections and won 12, A.F.L. entered 25 and won 13, independent unions entered five and won none, while five elections went "non-union" by a clear majority.

Pittsburgh and Personnel

THOSE INTERESTED in public relations on a community-wide basis might keep an eye on Pittsburgh. Personnel men there representing all of the big companies in the area were pushing along this week toward a unified campaign for better practices in employee relations, community relations, and customer relations through definite educational methods—which means good public relations.

PRODUCTION

Scheduling Production-for-War

Seeking cooperation of manufacturers, War Department drafts its plans for industrial mobilization. Ten thousand plants have already been signed up, and "educational" war orders are starting to flow.

WASHINGTON (Business Week Bureau)—The President's national defense survey will get the Army what it needs now, but building a full-scale battle machine is a wartime job—all-industry's job. Consequently, the most important military

For the past 15 years the military has been skirmishing around the procurement problem but support from higher up was needed to put life into a lot of paper work. It has come alive under vigorous handling by Assistant Secretary Johnson. Without playing on war hysteria the former national commander of the American Legion is frankly taking advantage of the recent crisis in international affairs to put across his plans.

Working with Johnson is another dynamo, Charles T. Harris, Jr., promoted out of line to Brigadier General, and put in as Assistant to the Chief of Ordnance. Hand-picked for the job as director of the Planning Branch, succeeding Gen. Harris, is Col. Harry K. Rutherford. Tied in with the Planning Branch is the Army and Navy Munitions Board headed by Johnson of the War Department and Charles Edison, Assistant Secretary of the Navy. Through this joint set-up, the Army and Navy are working together for the sole purpose of anticipating the requirements of both on "M-day."

To put America on a war-time basis rapidly, Johnson has laid down for his military staff the fundamental proposition that what private industry can make should be the deciding factor in determining what the Army can use. The key to Johnson's procurement program is mass production. Army designers may have developed the finest rifle in the world but, unless it is readily adaptable to mass production, it's out.

Firms at Work on Munitions

Under Gen. Harris, in charge of munitions manufacture, the Army arsenals are being used as experimental laboratories in developing technical munitions. Private manufacturers and their production engineers are cooperating to improve designs and standardize parts so as to eliminate bottlenecks to mass production. A considerable number of firms are now actively engaged in the production of secret munitions, running into fairly significant figures.

It is, however, in making plans to assure an adequate supply of thousands of equipment items which the fighting Army will need that the majority of in-



Harris & Ewing

Louis Johnson's key to the procurement program is mass production.

preparedness plans are those which make for industrial preparedness.

Heaped on the desk of Louis Johnson, the Assistant Secretary of War, every morning these days are letters from all sorts of business concerns asking how they can fit into the government's plans for industrial mobilization when the threat of war again is imminent. Johnson is glad to get these inquiries. If it appears that the company should be included in the procurement program, the plant is surveyed and its potential production assigned.

Recognition of the practical need of industrial preparedness has, of course, been quickened by the narrow squeak in Europe and the plain-spoken warning of Bernard Baruch, who had the job of organizing industry in the last war, that the United States is sadly unprepared for another.

New Course Finder Takes Arithmetic Out of Navigation



A new automatic direction finder—one that takes the arithmetic out of air navigation—was demonstrated last week at Floyd Bennett Field, New York. Developed by the Sperry Gyroscope Co. and Radio Corp. of America, the direction finder requires only that the pilot tune in on any radio station. The instrument's pointer immediately turns

toward the station and continues so. The dial is mounted horizontally, which enables the pilot to "feel" his position more quickly by visualizing the location of the station. Experiments are now under way to link the direction finder to the automatic pilot already in use, thus to make the operation of a plane almost entirely automatic.

dustrial concerns have been catalogued by the War Department. Without their cooperation the job can't be done, and that brings up a tender subject with which Assistant Secretary Johnson has dealt decisively. To the extent that discussion of a private manufacturer's wartime job may disclose confidential policies or business secrets, they remain absolutely confidential with the War Department. If Department of Justice agents come poking around the Munitions Building for evidence to build up its antitrust action against the Aluminum Co., they won't get anything but a cordial rebuff.

Mass Output Poses Problems

Procurement planning starts on the basis of what an army of some 4,000,000 to 5,000,000 men will need. To make sure that military requirements and industry's productive capacity will balance and also allow an adequate margin of capacity to supply civilian needs for usual products, the Planning Branch of the War Department has surveyed 18,000 industrial plants, has selected 10,000 as capable of supplying immediate needs in emergency, and has signed them up to produce when needed. Converting commercial plants to mass production of uni-

forms, shoes, blankets, and most of the articles comprising military equipage is a fairly simple process, but mass production of arms and ammunition presents critical problems. Such items as 75 mm. guns, planes, gas masks, machine guns, and hand grenades will be needed in huge quantities. The plants selected for their manufacture assume voluntarily a big responsibility in developing the technique for their manufacture and plans for the change-over to their production.

Except with respect to "strategic" materials now imported, the Army is not directly arranging for the supply of materials to such primary contractors. When mobilization takes effect the supply of raw materials will, if necessary, be divided between civil and military needs and distributed according to various priorities. In procurement planning, however, the ideal situation is one in which the primary contractors get themselves ready (some have made elaborate studies at their own expense for conversion of their plants), estimate the amount of skilled labor needed, and arrange with secondary suppliers for materials and parts. Actually, there will be few manufacturers in the second line of defense who won't have some war work to do.

In concentrating on procurement of

finished items for military use, the critical importance of machine tools, tools and gages, and steel is well appreciated. A survey of machine tool capacity is being made through the National Machine Tool Builders' Association, and studies of the capacity needed to produce various types of steel have been made in cooperation with the American Iron & Steel Institute.

Familiarize Plants with War Items

To transmute paper plans and blue prints into actual experience in munitions manufacture, a system of educational orders is being introduced this month. Pending for years, this proposal was finally authorized by the last Congress with \$2,000,000 a year to start. This year's demonstration of its utility probably will assure a much bigger appropriation for coming years.

The items for this year's program (BW—Sep 24 '38, p. 16) were selected primarily to familiarize manufacturers with the more difficult problems of munitions manufacture, but the items are standard for use in war. No items are included or will be included on which military experts disagree. To save time and money and serve the purpose intended, the plants invited to submit bids have been carefully selected and orders will go only to those plants whose proposals offer the best opportunity for fully disclosing and eliminating troubles in production.

As the law stipulates that no orders can be given to the same firm twice in three years, rotation is assured, and larger appropriations in the future will allow more firms to participate.

Assurance of an emergency supply of strategic raw materials also is part of the procurement program. To this end, the War Department wants to build up stock piles of such materials as ferro-manganese, chrome, tungsten ores and pig tin from the normal foreign sources of supply in time of peace or "reasonable international tranquillity." Usual peacetime stocks of strategic materials are adequate for purely military needs in an emergency, but the War Department recognizes that industrial requirements to meet civilian needs in war must be given consideration.

Materials for Two Years Wanted

The Department is behind the Faddis and Thomas stock pile bills that will be pushed to the front next session. This legislation does not preclude procurement of reserve stocks from domestic producers but the military frankly prefers to acquire stocks from present commercial foreign sources sufficient to carry the country for possibly two years until domestic production of like materials or substitutes which it is uneconomic to exploit in peacetime can be developed.

Lack of skilled labor is a critical factor that the War Department is attacking with vigor. A means of establishing an

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apprentice training system now is being developed. The shortage of skilled aviation mechanics is dangerously acute. In comparison, turning out enough flyers is no trouble at all, once a sufficient number of training planes are provided; hundreds of youngsters are ready to try their wings; few are fascinated by monkey wrenches.

Economic Mobilization Plans

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The procurement program is only one phase of economic mobilization for war. The other is turning the country's entire resources to the support of war—a project that will be sharply highlighted during the next Congress. Such plans contemplate conscription of materials at the moment the emergency arrives to assure flow of adequate supplies to manufacturing plants which the War Department is now lining up. But the Department endorses no plans for conscription either of labor or capital.

The generals' blunt viewpoint is that if Uncle Sam can't get the cooperation of money and the manpower in war he had better stay out of it. Nor has the military any part in or patience with schemes to "take the profit out of war." Mr. Baruch talks a lot about suppressing the profit motive. He remembers vividly the rampant profiteering in the World War. But without some profits on war business there's nothing to cover losses that may be incurred under the pressure of wartime necessity.

May Bill's Provisions

The War Department regards the May bill as embodying the essence of years of investigation and planning. To curb profiteering the bill instructs the Treasury to devise a system of taxation for adoption by Congress in event of war that will absorb profits above a fair normal return to be fixed by Congress—in other words, an excess profits tax coupled with stiff taxes on individual incomes. In many minds, the May bill leaves too much up to a war-feverish Congress to effect its purpose and there will be strong pressure next session to include specific tax measures.

To prevent inflation, the President or one of the superagencies that he would be empowered to create would have authority to freeze all prices at the level prevailing on a given date. Under other provisions of the May bill, all business would be permitted to operate only under government control, directly or under license, and would be required to fill orders, transport goods, or furnish power according to the priority established. The bill confers powers much more comprehensive than those wielded by President Wilson, Baruch, and his War Industries Board in 1917-18. It would vest in the President practically absolute authority in the conduct of war. It is extremely unlikely that the next Congress will adopt such sweeping legislation.

5-STORY DORMITORY IN L.S.U. STADIUM

'INCOR' 24-HOUR CEMENT SAVED
6 WEEKS—\$9400 SAVING ON
FORMS ALONE



Photo by Edward Aynelly. © 1936, by The Times-Picayune Publ. Co.

CONCRETE POURED ONE DAY, IN USE THE NEXT —'INCOR' SAVES ON WINTER WORK, TOO

LOUISIANA again makes news—by building a dormitory in a football stadium. New L. S. U. concrete grandstand at Baton Rouge seats 46,000, houses 1000 students in 499 dormitory rooms under the stand. Preliminary plans indicated completion by last New Year's Day. By using 'Incor' 24-Hour Cement, the stadium was ready for big game Thanksgiving Day—6 weeks saved. Reason: 'Incor' is self-supporting 5 times as fast. You fill forms with concrete one day, strip them the next. That speeds completion, reduces form costs—forms are used over and over again, fewer forms needed.

On L. S. U. stadium, for example, 'Incor' saved \$9400 on form material alone. Not to

mention 6 weeks saved on contractor's fixed costs or overhead. Figuring time at a nominal \$50 a day, 6 weeks saved means \$2100.

And, in winter, 'Incor' cuts heating costs, because it is safe from freezing days sooner. On 5 jobs recently surveyed, 'Incor' saved 45¢ to \$1.22 a cu. yd. of concrete.

When you build, tell your contractor to figure the job two ways—with both Lone Star and 'Incor'. Use 'Incor' if it shows you a profit; if not, use Lone Star. You gain either way, because better cement makes better concrete. Write for illustrated book, "Cutting Building Costs." Lone Star Cement Corporation, Room 2299, 342 Madison Avenue, New York.

*Reg. U. S. Pat. Off.

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COAST-TO-COAST CLAIM SERVICE

New Storage Locker

Ohioan devises way to surmount customers' claustrophobia and cold-fear.

ALTHOUGH THE RAPID RISE of refrigerated locker storage as an integral element in the production and storage of food for human consumption would indicate an acceptance unhampered by important sales resistances (BW—Dec. 4 '37, p. 44), locker storage men say otherwise. They tell of many instances where potential customers have warmed up to the economy and luxury of quick-freezing and storing in-season meats and fruits and vegetables when they are plentiful and cheap for out-of-season family use when prices would otherwise be high, only to chill at the thought that they themselves might be locked up accidentally in the sub-freezing cold of locker rooms.

As soon as anyone enters such a room, the door is shut, to keep the heat out. There are people who suffer from claustrophobia—a morbid fear of being shut in. Claustrophobia, which is as old as human psychology itself, is as hard to laugh off as the fear of cats and crawling things.

Somewhat back, Roy W. Smith of Newark, O., began to think about these causes of sales resistance. His father, who heads up an ice company, had been instrumental in establishing a number of conventional locker storages in Ohio. Mr. Smith, Jr., had had plenty of opportunity to see claustrophobia and cold-fear in action. He had also seen sales resistance arising from the fact that many

locker storages were located far from the main stems of villages and cities—out back of the coal yards or alongside ice plants. He thought that if a locker storage were properly designed, it would make a slightly and profitable addition to almost any food store.

Upshot of Mr. Smith's cogitations was the development and establishment of his brand new system of refrigerated locker storage at Weaver's Clover Farm Stores, Washington Court House, O. Here the storage lockers, which are rented to customers, find themselves below floor level in a warm room. The 400 lockers are arranged in tiers of four. A traveling electric hoist raises and lowers each tier from its floor compartment, as needed, not unlike the operation of an artificial ice plant. Thus there is no cold room, no door-closing, and hence nothing to induce claustrophobia.

Operating Economies in Idea

Refrigerating compressor, cooling coils, electric motor, and all other items of refrigerating equipment, which are the same in type as those used in conventional storage practice, are also located underfloor. Sizes and capacities of equipment can be smaller than usual. Just the fact that only one tier of lockers is exposed to warmth at a time brings about considerable operating economies.

Armstrong Cork Co., Lancaster, Pa., became interested in the Smith system (now officially called the Polar Chest Locker System) when it was installing corkboard insulation and has just decided to handle the sales and installation complete, except for compressor and cooling coils.



Each square in the checkerboard floor covers a tier of four locker units. One small traveling crane services 400 lockers. The idea of the lady customer's minimal costume is to demonstrate that the room's temperature is not overmuch affected by the freezing in the lockers beneath the floor.

Machine Tool Sales Drive

Government orders likely to provide major impetus to machinery industry. Builders plan better selling technique to increase purchases from private business.

WITH THEIR FINGERS CROSSED in the hope that the recovery which began for them in June will continue, machine tool builders gathered at Hot Springs, Va., the past week for their annual convention.

Like the steel industry, the machine tool industry usually has either a feast or famine. Seldom has its business ever been so good as in 1936 and the early months of 1937. From a high of 234.2 in May, 1937, orders dropped steadily to 75.7 in February, 1938, bounded back to 107 in March, then retreated to a low of 66.7 in May. Since then sales have almost doubled. The September figure was 117.4 (average monthly shipments in 1926 = 100).

Despite the sharp recovery in business, machine tool builders are not happy. Bookings are not well distributed throughout the industry. A few companies are scheduled with full forces until early next spring, while other companies are trying to keep a partial staff occupied 20 hours a week. And entirely too much of the current business is from foreign buyers, cannot be counted on for "repeat" orders.

Auto Makers' Demand Slackens

It is domestic business—from private sources, not from the government—that has always supplied the industry with its "bread-and-butter" volume. And that volume has been woefully slack this year. Automobile makers, normally the largest group of equipment purchasers, have bought this year only a fraction of their '37 total. Biggest domestic volume this year—and it has been a life-saver for some companies—has come from farm implement and tractor concerns. Machinery builders hope for substantial improvement in domestic industrial business, but they aren't too optimistic.

Major impetus to the machine tool industry domestically is likely to come from government expenditures, especially for the Army and Navy. Both arms of the national defense are sadly deficient in modern equipment and, in plans for industrial mobilization (page 27), military authorities say that "machine tools will win the next war." It is a country's capacity for turning out munitions replacements that eventually determines its ability to win or lose a war.

Yet machine tool builders are sensitive on the point of being identified in the public's mind with munitions manufacture. Machine tools, they believe, are responsible for mass production which

in turn has made it possible for Americans to have such a high standard of living. Says Howard Dunbar, president of the National Machine Tool Builders' Association, "Vital as machine tools are in time of emergency, they are just as essential for the peace-time prosperity of our nation. The machine tool builder is primarily interested in building up manufacturing industries in this country and abroad. Our greatest task is to enrich human life—not to destroy it."

Indicates Sources of Orders

The machinery people, in looking ahead, are realistic. They are of the opinion that the days of rapid expansion in American industry, of the construction of large numbers of new plants, are at an end. Accordingly, they must plan their future sales programs differently. As Mr. Dunbar said at the Hot Springs meeting, machinery orders in the future will originate in three major sources: (1) continued search for lower manufacturing costs and reduction of spoilage and waste; (2) need of equipment to manufacture new products, to perfect new inventions; and (3) replacement of the enormous accumulation of obsolete equipment. (American Machinist survey shows over 65% of existing equipment is over ten years old.)

Obviously, the industry's selling job will be more difficult than in the past. Alert to that fact, the Associated Machine Tool Dealers of America, which met in convention at Cincinnati just preceding the builders' convention, are putting major emphasis on improvement in sales technique. Selling a high percentage of the country's machine tools, the dealers have featured "sales clinics" at their last two meetings under the guiding hand of President A. G. Bryant. Machine tool builders too are burning midnight oil in devising ways and means for better selling of their products.

PRODUCTION ANGLES

Sink-and-Float

ONE OF THE MANY problems of coal mining and production is the maintenance of standards of B.t.u. and ash content so that the user will not be forced continually to change modes of firing to extract heat at desired rates. Saturday, Oct. 15, W. B. Foulke, director of the



...High-speed freight engines...of a type developed especially for Chesapeake and Ohio...these are typical of superior equipment enabling this railroad to give shippers such dependable service on regular schedules.

To learn how this responsible "on-time" freight service can help you, call the nearest Chesapeake and Ohio representative. Located in all principal cities, coast to coast.

CHESAPEAKE
and *Ohio* **LINES**
CONTROLLED PERFORMANCE

Minerals Separation Division of duPont's R.&H. Chemicals Department, presented his paper, "Sorting Materials Containing Heat Values in the Form of Anthracite to Produce a Standard Fuel," to the Anthracite Section of American Institute of Mining & Metallurgical Engineers. Among other things he showed how the new "sink-and-float" process (*BW—May 14, 38, p. 48*) assists standardization by floating coal away from slate and other incombustibles in a liquid three times as heavy as water.

Raw Materials Congress

PRODUCTION MEN who have been informed of the purposes of the First National Congress of Industry & Raw Materials, Sioux City, Ia., Nov. 14-16, are marking the dates on their calendars. Sponsored by Raw Materials National Council, of the same city, the congress will seek "to bring together in conference accredited representatives of manufacturing, transportation, and merchandising and other types of business and industry and of agriculture, forestry, mining, and other suppliers of raw materials," to discuss mutual interests and formulate policies for presentation to federal and state governments.

Fingerprints for Materials

LIKE THE LINES and whorls which distinguish the fingerprints of one human being from those of all others, the X-ray diffraction patterns of almost every chemical element and compound are distinctive. It is reported in the American Chemical Society's Analytical Edition of *Industrial & Engineering Chemistry* that three chemists of Dow Chemical Co., Midland, Mich., have developed a "Bertillon System" for classifying and quickly identifying the chemical fingerprints. Already their file consists of 1,000 common chemicals. Spotting the identity of a material may prove to be simpler than locating a name in a telephone directory.

Acid-Resisting Enamels

SIGNIFICANT TREND, brought out at the Third Annual Porcelain Enamel Institute Forum which met last week at the University of Illinois, lies in the increasing use of acid-resisting enamels in the production of refrigerators and stoves. Bright spot in the industry is rapid expansion in the architectural field.

Design-Bug Prevention

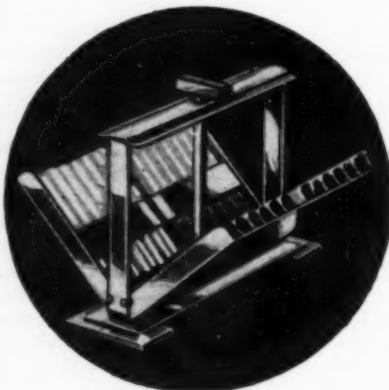
NO MATTER HOW FARSIGHTED the engineering designer of complicated mechanisms, it is next to impossible for him to foresee every link in the chain of eventual production. Thus it is that RCA Manufacturing Co. has set up a model shop to convert its designs as nearly as possible into final manufactured form. Each step of the production process is analyzed in advance. Result is that fewer design bugs than ever become production bugs and consumer bugbears.

NEW PRODUCTS

SKIDDY ROADS will be tamed for the motor vehicle equipped with "No Skids," a new development of Tire Tractor Corp., 6908 Market St., Upper Darby, Pa. The modified tire chains carry cord-and-rubber cleats into which are imbedded borium studs. Since borium approaches the diamond in hardness, there will be no need to take off chains when stretches of bare concrete are encountered.

THE Underwood Automatic Justifying Typewriter expands or condenses each line of typing at the will of the operator, without arduous calculations. Underwood Elliott Fisher Co., 1 Park Ave., New York, makes it.

FINISHED EITHER in chromium or polished brass, the new V-12 Cigarette Server, manufactured by Park Sherman Co.,



Springfield, Ill., promises to be an excellent premium or gift item. A simple twist of a handle opens or closes the device.

WHERE FLUORESCENT LIGHTING is indicated, there is almost sure to be a use for Wiremold Fluorescent Strip with snap-in receptacle clamps, just being introduced by Wiremold Co., Hartford, Conn. Space is provided for auxiliary coils and 10 No. 12 connector wires.

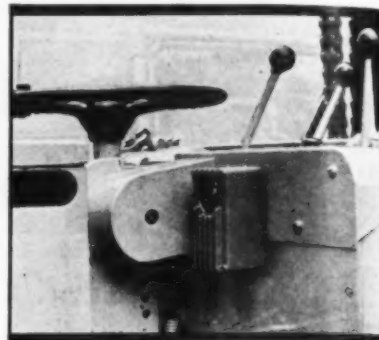
PNEUMATIC TUBE USERS should know that Lamson Co., Syracuse, N. Y., is now in production on its new Lamson Transparent Shatterproof Carriers.

SECRET of the shiny aluminum on many of the air transports is Alumin-Nu, a cleaner-polish for all kinds of metals compounded by Pynosol Laboratories, Inc., 166 N. Aberdeen St., Chicago. The material, which comes in 1- and 5-lb. cans for industrial use, is now being introduced to the home trade in smaller containers.

PHOTOGRAPHERS WHO SHY AWAY from 35-mm. photography will be glad to know

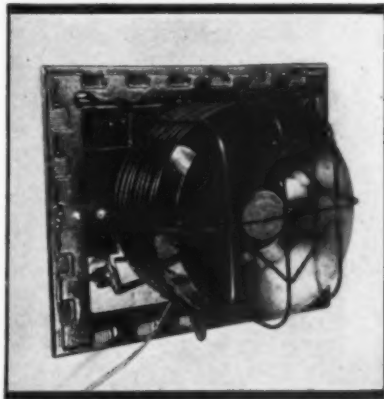
that Eastman Kodak Co., Rochester, N. Y., is now producing Professional Kodachrome Film for full-color work in sizes up to 8 x 10 in.

WITH THE LATEST MODEL Exide Discharge Indicator for electric trucks, the driver is warned by a red light when the battery is approaching a discharged condition.



giving him time to get back to the charging station before an expensive "tow-in." Electric Storage Battery Co., Philadelphia, states that its device has been developed to a high point of accuracy.

IN ANY ROOM that is hard to heat, nitch a Kisco Deflecto Registair to the furnace register or air-conditioning grill and let its electric fan speed up natural circulation. Kisco Co., Inc., 4414 W. Papin



St., St. Louis, calls particular attention to the Deflecto cone, designed to minimize possible drafts by dispersing air.

DESIGNED TO TAKE the place of metal piping for the exhausts of motor boats, the new Condor Marine Exhaust Hose of Manhattan Rubber Mfg. Division, Passaic, N. J., should find many applications throughout industry, if only for its ability to dampen noise and vibration.

AN ODORLESS degreasing compound, called Hydralene, is the latest development of Curran Corp., Malden, Mass.

MARKETING

Co-ops Plan United Front

Internal reorganization and establishment of credit pool, outlined at cooperative congress, indicate stronger drive for general merchandise business.

IF ONLY HALF of the plans approved by the eleventh biennial congress of the Cooperative League of the U.S.A. are consummated before its next meeting in 1940, the results will make history for the cooperative movement in this country. Obviously disappointing to a small, left-wing minority, the new program calls for a virtual reorganization of the League which in turn requires the adoption of practical business and management methods and the throwing overboard of a lot of the idealistic stuff.

The League is made up of 1,770 consumers' associations (as opposed to farm marketing co-ops) having a combined non-duplicating membership of 965,000. Total retail business is in excess of \$100,000,000 annually. While the great bulk of co-op sales today are represented in farm supplies—feed, fertilizer, seeds, and petroleum products—the present move is from gasoline to groceries since food represents 16% of total farm purchases while petroleum is only 4.7%. Of the ten wholesale co-ops affiliated with the National Cooperatives, Inc., the joint buying agency established in Chicago four years ago, five are now handling full lines of groceries, three having broadened their lines during the past two years.

New Setup Centralizes Control

Scheduled to replace the present lopsided, dual system of control is a strongly centralized administration wherein business, finance, and education will be placed, departmentally, under one head. As it is now, the League, with headquarters in New York City, is purely an educational agency while National Cooperatives, Inc. in Chicago has been struggling, unsuccessfully, with the business end. The reorganization which contemplates representation in the League by all co-op stores and associations through their affiliated wholesale organizations instead of through loosely-knit district leagues should mean a new lease of life for National Cooperatives, Inc. and a marked extension in the distribution of its "Co-op" private brand lines of general merchandise.

Of considerable importance to both urban and farm co-ops alike is the news of a national credit pool for cooperative

associations. This is the League's polite answer to the solicitous Farm Credit Administration and its thirteen subsidiary Banks for Cooperatives.

The problem of financing the fast-growing cooperative movement—up 20%

or so last year (BW—Feb 6 '38, p. 23; Apr 23 '38, p. 17)—has caused its leaders no end of concern. Federal money through FCA has been available for farm co-ops. Consumer Distribution Corp., founded by the late Edward A. Filene, has a million dollars on tap for deserving urban or farm co-ops that need credit, but applicants for loans have been few, for the C.D.C. hasn't advertised any well-defined program of assistance and thus far has limited itself to the financing of co-operative business projects in the Farm Security Administration's "Greenbelt" housing projects.

Whenever federal or private funds are offered to co-ops the cry goes up, "Is it Rochdale?" In co-op parlance, "Rochdale" is synonymous with "cricket" or "kosher." Every good cooperator, if he reads his monthly quota of co-op literature, can recite backwards the prin-



When the recent hurricane swept up through New England, spreading death and desolation in its wake, it caused terrific damage to telephone, telegraph and power lines.

Emergency repair crews called in from all over the East needed poles and needed them quickly. In this situation, a Koppers subsidiary, The Wood Preserving Corporation, having plants and pole yards with reserve pole supplies, has been of great help. Poles, properly pressure-treated with preservatives, were rushed out of its plants and storage yards as quickly as the stricken communities called for them. In one day alone, 33 carloads of poles were shipped.

KOPPERS COMPANY • PITTSBURGH

SEE IF KOPPERS MAKES IT

BOILER AND POWER PLANTS • CASTINGS • COAL AND COKE • COAL CLEANING PLANTS
• COKE AND GAS PLANTS • CREOSOTE • DEHYDRATION PLANTS • D-H-S BRONZE • FAST'S
COUPLINGS • WESTERN FIRE HYDRANTS • INDUSTRIAL CHEMICALS • MUNICIPAL INCINERATORS
• PISTON RINGS • PLATE WORK, TANKS • PURIFICATION SYSTEMS • RECOVERY PLANTS •
SEWAGE DISPOSAL EQUIPMENT • SHIPS AND BARGES • ROOFING • TARMAC ROAD TARS
• TAR PRODUCTS • TREATED TIMBER • WATER GAS GENERATORS • WATERPROOFING • VALVES

K O P P E R S



Herbert E. Evans of the Consumer Distribution Corp., who administers the Filene million-dollar fund to aid co-ops, dodges questions about whether any of the money will go into the projected co-op credit pool.



Co-op merchandise—canned goods, radios, electric refrigerators, tires, tractors—were on display at the Kansas City meeting. These private brands should burgeon if reorganization plans are consummated.

ciples of cooperation laid down by the Rochdale pioneers a century ago when they opened a small store in a weavers' community in England. (Major tenets include (1) no profit, only a prescribed wage in the form of limited interest for invested capital; (2) democratic control—only one vote to a member regardless of size of investment; and (3) patronage dividends or rebates to members based on the amount of their purchases.)

While one faction of the cooperative movement has been enthusiastic over the Farm Credit Administration's willingness to finance newly-formed co-op ventures (often to compete with existing co-ops), the Rochdale-or-die faction has disapproved of government aid not only because it encourages a mushroom growth but also because this group distrusts the political motives behind the aid.

Many of the details of the proposed credit bank for League members have been worked out by Murray D. Lincoln, who is regarded by business-minded co-operators as one of the biggest men in the movement. As actual manager (his



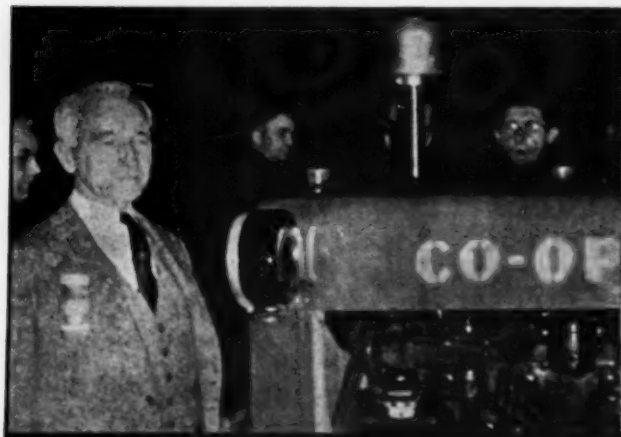
Where there's a co-op meeting, there's literature—gobs of it.

title is secretary) of Ohio Farm Bureau Cooperative Association, Lincoln has since 1926 built up the Farm Bureau Mutual Automobile Association from a

\$10,000 beginning to a \$5,500,000 concern—the seventh largest mutual casualty company in the country. (Incidentally, it's in the insurance field that the cooperative idea has taken strongest hold: all told, there are 1,909 cooperatives and mutual companies writing various kinds of insurance, and they are patronized by more than three million farmers.)

Lincoln's plan contemplates a national cooperative bank in which surplus funds of the League's 21 business organizations would be pooled. From this credit reservoir funds would be available to existing associations and also to new non-competitive groups. Competition between co-ops isn't Rochdale.

While the custodians of Filene's million dollars in the Consumer Distribution Corp. have made no official announcement, it is pretty generally understood that they are quite favorable to a national credit pool and will put a sizable sum into it if asked to. A substantial investment on the part of C.D.C. will, however, call for a directorship on the bank's board and that might cause



Dr. James Peter Warbasse, for 22 years president of the Cooperative League of the U.S.A., visits the tractor exhibit at last week's convention.



Buyers for farm co-op stores look over clothes from a co-op factory—the worker-owned garment factory at Hightstown, N. J. (B.W.—Oct 23 '37, p27).

complications. Cooperators are very determined to run their own affairs; they distrust both federal and philanthropic angels.

Those who have studied the merchandising problems of cooperative associations declare that the proposed credit pool will undoubtedly exert a corrective influence on the greatest evil that besets the average co-op store—credit to members. And retail credit is another thing that isn't strictly Rochdale. Both National Cooperatives, Inc., and the League have constantly and indefatigably preached the gospel of cash trading, but local store managers find it hard to say no to members who are actually their own employers.

Units Strive for Cash Trading

Last week, as a financial declaration of independence, shareholders of Consumers Cooperative Association of North Kansas City placed the wholesale purchases of its 424 local associations and stores on a strict cash basis and instituted a restricted cash basis for retail sales with a strict cash basis as a goal in the near future. Eighty-one of the retail units are already operating on a cash basis.

The advent of C.D.C. into the cooperative movement with its experimental stores at Greenbelt, Md., early this year has already had its effect on co-op merchandising. The oldest co-op wholesale in the United States, Midland Co-op Wholesale, will next year enter the grocery field with a chain of 15 retail outlets under a novel plan which bears some resemblance to Scottish co-op wholesales, some to the American A&P. stores, some to Greenbelt's co-op grocery.

Midland stores will have uniform fronts and fixtures and operate generally on self-service principles; a few will be combination self-service and clerk-service. All stores will be within a radius of 50 miles from the wholesale depot, which will insure overnight service on stock.

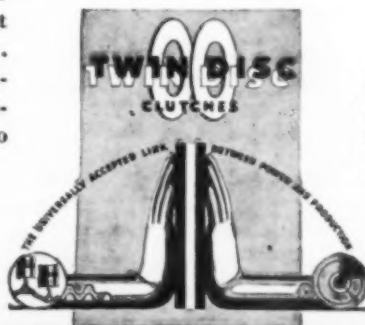
Plan Obviates Local Difficulty

Although each store will be owned by a separate corporation composed of local co-op members, the management will be under the direct supervision of the central wholesale under a management contract, thus surmounting one of the inherent weaknesses of local co-op stores. Besides authorizing the parent corporation to hire and fire local managers, the management contract grants the wholesale organization a perfect monopoly on purchases from the retail units—a set-up that would make any other co-op wholesale green with envy.

The Midland chain will be financed by sale of shares—\$15.00 each—to individual co-op members, and one-third of the capital will be earmarked for the wholesale plant. Bookkeeping for all stores will be centralized and periodic auditing required.

Perhaps you could build them cheaper... so could we

...but we couldn't afford to do it... you couldn't afford to use them if we did; because our first consideration in building a Twin Disc Clutch is the job it has to do. A Twin Disc Clutch must be the *insured* link between power and production... the dependable link. ¶ That's why we precision-face all friction surfaces... we use special alloy iron for all cast parts... we harden and grind each wearing surface... we machine each part to the closest tolerances... we tool up all parts so they may be interchangeable, quickly replaced without fitting or filing. ¶ No, we could not afford to sacrifice... either materials or workmanship to meet a "price-conscious" demand... no matter how insistent.



Perhaps you have a machine whose operation might be improved with suitable Twin Disc Clutches. Why not check with our engineering department?

TWIN DISC CLUTCH CO., 1365 RACINE ST., RACINE, WIS.

PRESTO

New Patented Phone Index FLASHES THE NUMBER YOU WANT

Here's an idea for your Holiday Remembrances, the most useful desk piece on the market. Springs open at finger pressure to give split-second information on phone numbers, names, and addresses. It is clever, useful, and lasting, the three qualities most important in a friendly business reminder for your customers. Let us show it to you. It's good!

BROWN & BIGELOW

Remembrance Advertising
REG. U.S. PAT. OFF.
SAINT PAUL, MINNESOTA

No Superpower Radio

FCC subcommittee goes so far as to recommend non-renewal of WLW's license to use 500 kw.

THE U.S. SENATE last June informed the Federal Communications Commission just exactly what kind of a stand it ought to take on the subject of superpower in radio broadcasting. And this week FCC took it.

At the behest of Sen. Burton K. Wheeler, the upper house last session flatly stated that licensing stations in excess of 50 kw. was not in the public interest. As an afterthought, station WLW, the only existing superpower station, was furnished with a convenient out in a statement explaining that existing facilities should not be affected.

Commission Postpones Hearings

The Wheeler resolution was nicely timed to coincide with the start of the FCC hearings last June on new rules and regulations for broadcasting. One of the most important questions due for a hearing was that of superpower, in general, and WLW in particular. But after three years of agitation about superpower, FCC once again decided to "indefinitely postpone" hearings on the applications of 15 or more stations who were anxious to get experimental 500-kw. licenses. And this week the commissioners went even further in the direction pointed by the Senate, when three of them—Commissioners Case, Craven, and Payne—recommended to the full commission that it turn thumbs down even on the application of WLW for a renewal of its superpower license.

Subcommittee's Conclusions

WLW has had its 500-kw. license since 1934, and its argument for renewal was that it wanted to experiment with an antenna structure of wider flexibility. The FCC subcommittee, however, concluded that WLW didn't need 500 kw. to make the antenna experiments; that it was interfering with station WOR, Newark, N. J.; that commercially it was cutting out a number of smaller stations in its area, particularly in spot advertising; and finally, that it was using its 500 kw. as a lure to impress prospective advertisers.

As evidence that advertisers were impressed, the commission revealed that WLW's net income in 1937, after deducting income taxes, amounted to \$702,954, and in 1936 was \$706,589—a net return in one year of nearly 70% of the original cost of all the Crosley Radio Corp.'s property devoted to broadcast service, as of Dec. 31, 1937.

No one was expecting the crack-down on WLW to be as emphatic as it was in the report of FCC's subcommittee. It had been argued that WLW had too much invested in equipment for the com-

mission to consider cancelling its license. And it was also pointed out that Commissioner Craven—back in 1936, when he was chief engineer of the commission—had just about admitted in an official report that superpower was necessary to provide adequate coverage in rural areas of the country.

Considerable pressure will be brought to bear by the Ohio Congressmen and by Charlie Michelson, former Democratic publicity chief who is now handling public relations for WLW, to persuade the commission to overrule its subcommittee, but the expectation is that the commission will decide against the station, with perhaps only Thad Brown of Ohio dissenting. In that case, WLW would have to appeal to the courts. Of course, any predictions about FCC action are hazardous, for the commission is in about as big a mess as it was a year ago when President Roosevelt moved Frank McNinch in to clean things up (see the Washington Bulletin, page 7).

Coast Advertisers

Pacific council of agencies holds first meeting, boasts \$20,000,000 volume for three states.

THIS WEEKEND marks something like a milestone in the advertising agency business on the Pacific Coast. At Del Monte, Calif., executives of some 50 agencies in California, Oregon, and Washington assembled for the first convention of the Pacific Council of the American Association of Advertising Agencies. Their previous annual meetings have been merely as Coast members of the A.A.A.A.; the Pacific Council was granted a charter last February and set up as an entity affiliated with the parent body.

West Coasters feel it's high time they received the recognition. Total volume of business, regional and national, handled by agencies in the three states now runs about \$20,000,000 a year. *Western Advertising* lists 289 assorted agencies; 214 in California, 47 in Washington and 28 in Oregon. About 50 are designated as A.A.A.A. members, a large part of them branches of national concerns.

Co-ops High in Accounts

Among the 2,000 active accounts on the Coast, the big food marketing co-operatives loom large, and that type of account distinguishes the agency business in the Far West. This year, co-op appropriations are running close to \$6,000,000. The juicier of these includes Sunkist, canned salmon industry, the Wine Institute (new), California walnut growers, canning peach industry, Washington State Apple Commission, Sun-Maid Raisin Growers, Idaho Fruit and Vegetable Commission, pineapple producers, and the Western Pine Association.

MARKETING ANGLES

Food Chains Plan Defense

WHILE the Hon. Wright Patman, addressing the National Association of Retail Druggists in Chicago, sought to rally more independent support for his federal chain store tax bill last week, Don Francisco, new president of Lord & Thomas and the man responsible for the campaign which licked California's chain store tax in 1936, was urging the National Association of Food Chains, also in convention at Chicago, to get busy on a public relations campaign. Since 1936 the N.A.F.C. has been building good-will for the chains by moving surpluses of farm produce (*BW—Mar 5 '38, p. 31*), and now, during the week of Nov. 10-16, some 130 chains are ready to push a prune and raisin surplus. The immediate job of the N.A.F.C. in fighting the threatening death-sentence tax is to tell the story of how the chains contribute to the economic welfare. This week, the N.A.F.C. was mulling over a cooperative campaign along those lines.

Gulf Oil Campaign

LAST YEAR the Aluminum Co. of America launched a \$400,000 newspaper campaign designed to set itself right with the public, and prove it was no selfish monopoly. This week another Mellon interest, Gulf Oil Corp., is breaking a public relations campaign in some 105 newspapers, featuring a filling-station operator who discourses on "I'm glad my old man came to America" (where they "make things better and cheaper so they can be spread around among more people").

Magazines By Air

NOT MANY MAGAZINES are delivered to towns like Finlay Forks, British Columbia, or Pickle Crow, Ontario, but those that are have to go up there by air mail. On Oct. 1 the Post Office Department of Canada raised the rates on all second-class mail going to these and some 100-odd other towns entirely isolated except by air mail through the year, or at least during the winter. Canadian magazine publishers are just forgetting the whole thing, discontinuing service to those towns. The National Publishers Association suggests U.S. publishers follow suit.

"Best by Test"

JOHN WANAMAKER, New York department store, was so flattered recently when Consumers Union tests showed that the Wanamaker \$1.65 shirt was a "Best Buy," that it told all about it in an ad. It's a long time between plugs for Consumers Union, particularly from retailers. Abraham & Straus either didn't do so well in the C.U. tests or weren't in it, because the next week A&S ran an ad showing what independent laboratory tests proved about their shirts.

NBC Blue Announces

Lowest Cost

per Listening Family in the History of Network Broadcasting

*Startling savings offered by new economy
discount schedule on NBC Blue*

MONTHS of research, including a nationwide study of listening habits, have produced new, important evidence of the size and scope of the Blue Network's regular listening audience.

An analysis of time schedules shows that the Blue Network is now the only complete, nationwide network offering advertisers any choice of periods at the preferred broadcasting hours.

After careful review of these two factors, NBC now adds a third advantage by offering advertisers an opportunity to broadcast their sales message over the Blue Network at the lowest cost per listening family in the history of network

broadcasting. Designed to make it easier to "go National" on a modest advertising budget, a new "economy" discount schedule has been set up. You can now buy the Basic Blue Network plus supplementaries at greatly reduced cost.

In your own interests, we believe you will want to understand clearly what this new, lower-cost network coverage can do for you—how it can help you to solve your own advertising problems.

If your NBC representative hasn't already called to tell you the whole new story, we suggest that you phone him and tell him you want to hear all about it—immediately!

"Better Buy Blue"

NATIONAL BROADCASTING COMPANY

The World's Greatest Broadcasting System • A RADIO CORPORATION OF AMERICA SERVICE

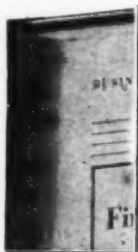
NEW McGRAW-HILL BOOKS

1. LABOR'S RISKS AND SOCIAL INSURANCE

By Harry A. Mills, University of Chicago, and Royal E. Montgomery, Cornell University. The second of three volumes on the economics of labor. Sets forth in detail the problems of unemployment, industrial injury, sickness, and old age. \$3.00.

2. FINANCIAL ORGANIZATION of the ECONOMIC SYSTEM

By Harold G. Moulton, President, Brookings Institution. A detailed study of money, credit, and banking, and their relations with production, prices, and other economic problems. \$3.50.



3. THE MANAGEMENT OF LABOR RELATIONS

By Gordon S. Watkins and Paul A. Dodd, University of California at Los Angeles. Presents the fundamental principles of personnel administration, including employee selection, wage systems, training of executives, etc., that have worked in industry and business today. \$4.00.

4. CORPORATION FINANCE

By Henry E. Hoagland, Ohio State University. Covers the life history of the modern business corporation, dealing with the principles of corporation finance which underlie successful business management and investment. This revised edition is a complete restudy of the field in the light of current developments and legislation affecting corporations. \$4.00.

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Send me the books encircled below for 10 days' examination on approval. In 10 days I will pay for the books, plus few cents postage, or return them postpaid. (Postage paid on orders accompanied by remittance.)

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Company B.W. 10-22-38

(Books sent on approval in U. S. & Canada only)

MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

Buying Enters Selective Phase

Volume picks up in rising markets and tends to taper off on dips. Investors are bullish, but they are studying individual prospects.

THE FINANCIAL COMMUNITY this week received two pieces of news which were of the utmost importance. The first concerned reemployment in the automobile industry, the second, reestablishment of the crumpled steel price structure.

So far as news of big hirings by the automobile companies was concerned, it was in the cards. Nevertheless, headlines screaming "35,000 Hired by General Motors" had a substantial psychological effect. And the news that price cuts running to \$6 a ton on steel sheets for the auto makers had been rescinded came as an agreeable surprise. Earlier the markets had been distinctly bothered by the full-fledged price war which clearly was raging in steel, whether the steel people were willing to acknowledge it or not.

Markets Responsive

What might have happened to prices in major markets this week without these pieces of news from the motor and steel industries is hard to guess. Commodities were getting no place, and stock prices were a trifle easier. Stocks perked up after the General Motors announcement on Tuesday, slid a bit thereafter, and then firmed on the steel price news.

So far as judging the basic position of the market is concerned, it may be said that prices went up on good news with a great deal more vigor than they went down on bad. In other words, price cutting in steel didn't do stock prices nearly as much damage as restoration of prices did good. (That is an interesting parallel to the recent war scares when stocks gave ground grudgingly; thereafter prices rose sharply on the peaceful settlement.)

Trading Volume Large

This week has seen exceedingly heavy trading with 2,500,000-share days on the New York Stock Exchange anything but the exception. It has witnessed a major tug-of-war between the bull and the bear forces. There's no hazard in declaring that only the best kind of support could have sustained prices at a time when there was so much stock

for sale. Yet volume picked up in rising markets and tended to taper off on dips, and those are manifestations which are dear to the hearts of traders operating for an advance.

Nevertheless, much of the indiscriminate buying has stopped. There is a lot of jumping from group to group, and considerable switching within groups. In other words, the advance has gotten out of the helter-skelter stage and into the selective phase. It's come to the point where traders are studying individual prospects rather than assuming simply that everything is going to be better.

Public utilities had their biggest advance of the current upswing on Monday, reflecting the talk of possible peace with the New Deal yardstickers. In fact, of the 10 most active stocks on Monday, there wasn't a single one outside the utility and aircraft groups. By Tuesday, several of the motors and motor accessories had crowded into the top 10 and most of the utilities had been shoved out. On Wednesday morning the rails got a nice whirl in a sloppy market, and that afternoon the steels stood out on the upside.

Many New Highs

Building shares, merchandisers, glass stocks, the liquors all had their innings. Fifty to 100 new highs for the year in a single trading session haven't been unusual. Yet profit-taking has greatly limited the advance in the main body of stocks.

Movements in bond prices have, for the most part, been minor, but this has not diminished interest in the new issue market. Wednesday saw the public offering of the \$80,000,000 Public Service Co. of Northern Illinois first mortgage 3½s. On Thursday came the \$55,000,000 of Ohio Power Co. 3½s. Next week is scheduled to see formal offering of the \$50,000,000 Firestone Tire & Rubber Co. 3½% debentures and \$55,000,000 Wisconsin Electric Power Co. first mortgage 3½s.

Large corporate bond issues for October, including those pending, add up to a total of about \$330,000,000. With a

scattering of smaller flotations, it now appears fairly certain that the month will top the previous 1938 high of \$336,000,000 set in August. If so, it will be the biggest month since June, 1937.

An issue of 60,490 shares of Chesapeake & Ohio Railway series A preference stock also was marketed this week. It was not, however, a new issue. It represented holdings of Chesapeake Corp. in the C. & O. and its sale brings one step nearer the dissolution of Chesapeake Corp. and distribution of its assets to its shareholders (Alleghany Corp. is holder #1, with about 71% of Chesapeake's stock).

Too, there was a development in the Erie reorganization of importance to C. & O. and the old Van Sweringen holding companies. A group of large bondholders brought in a reorganization plan for Erie which, in effect, allows C. & O. to retain its \$45,000,000 stake in the road (although at washed-down values). Cleaning up the Erie and Chesapeake Corp. situations would end some of the strife in this "rail empire."

Propose Higher Rubber Quotas

Outstanding events in the commodity markets involved steps to curb the rapid rise in copper prices, and maintenance of good consumption of rubber. September use of crude rubber, at 37,823 tons, was only slightly below August's high for the year. There is talk of manufacturers' stocks of tires being too low, and a general feeling that the international cartel should raise crude rubber quotas for the first quarter of 1939.

The next meeting of the world rubber committee is Dec. 12, and the American trade favors a boost in the shipment quotas of producing areas from the present 45% to 55% of basic tonnages.

Copper Crackdown

International cartel jolts speculators by lifting all foreign quotas.

SPECULATORS MAY have run away with the copper market in London in the late months of 1936 and early months of 1937, but they're not going to do it in 1938. The committee which runs the international cartel in the metal emphatically went on record to that effect this week.

A few days earlier the committee watched the rapid rise in copper prices, studied the tight spot position that was developing in London, and gave the market a warning by proceeding to raise shipping quotas from 95% to 105% of standard tonnages. That meant that producers located outside the United States would step up their shipments to London in order to avert any real shortage of the metal.

But the warning didn't carry much weight. Copper prices moved on up in London, followed in New York. At the end of last week it began to look like a runaway market. Copper in the United States closed the week at 11½¢ a lb. and there was talk of a further advance on Monday of this week.

Move Sobers Market

Whereupon the international committee decided upon drastic action. All restrictions were removed from foreign production and shipments. Where the London market had almost ignored the advance to 105% on quotas, it was sobered when the lid was taken off entirely. The ensuing reaction, as speculators for the rise rushed to get out of bad contracts,

effectively scotched the talk of a further advance in prices for the time being at least.

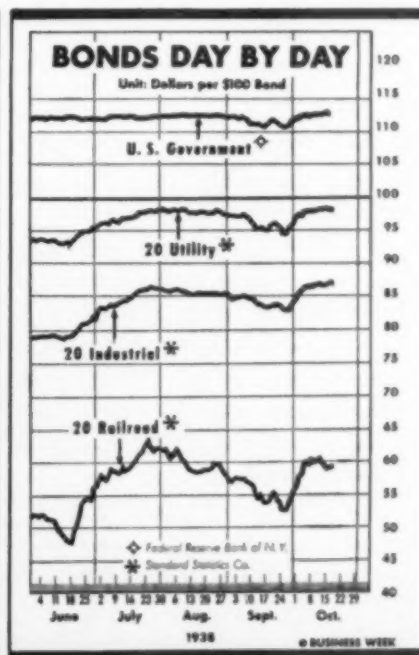
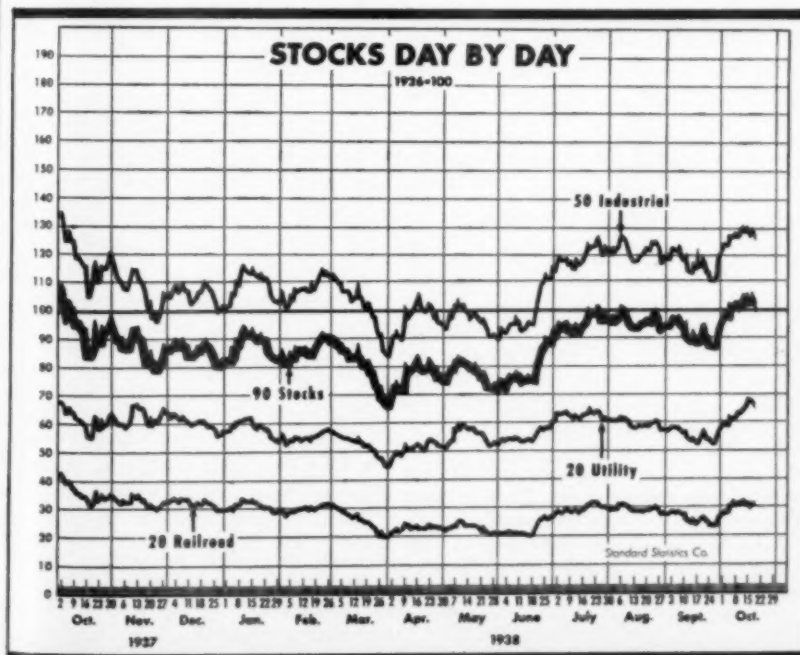
Behind the rise in the price of the red metal were the favorable statistics for September. The steady improvement in the use of copper, as well as the marked reduction in accumulated supplies, seemed amply to support better quotations.

But the committee was keenly aware of the displeasure of the British government over the runup in copper which culminated in March, 1937. It didn't want to hold down cartel production when shipments from the United States were flowing to London on a large scale (the cartel arrangement presupposes that U. S. producers will supply their own domestic market, leaving the foreign market largely to foreign producers). And the soberer copper men in the United States opposed the rise because, though the price still isn't high, there is no inclination to call down Washington's ire.

Conditions Favor Output Rise

What will come out of all this can be predicted. Production at home and abroad will rise fairly substantially. The domestic price of 11½¢ is high enough to be inviting even to most of the high-cost producers in the United States; letting down the quota bars will do the trick abroad.

Thus the September figure of 53,637 tons on domestic consumption may not look so large in the light of production in the near future. Production in this country last month, however, was nearly 8,000 tons below apparent consumption. Thus stocks of the metal fell for the fourth consecutive month, reaching 293,080 tons against a high of 369,809 at the



end of May (see chart on this page).

Armament building continues the unpredictable factor in the foreign situation. Will arming continue? Would the metal markets be buoyed by expanding private business if arming were to slacken? Use of copper abroad, aided by rearmament, hit the unprecedented figure of 137,000 tons last month. Accumulated stocks dwindled to a little over 154,000 tons or just a bit over one month's supply at present rates of consumption. Speculators viewed it as a fine spot for a squeeze until the lid was taken off production on Tuesday.

Change Sugar Lineup

Hawaiian interests strengthen their position in Eastern market by new contract.

A GOOD MANY YEARS AGO, the California & Hawaiian Sugar Corp. spent \$12,000,000 in building the largest sugar refinery in the world at San Francisco. That gave C. & H. a refinery sufficiently large to refine all the raw sugar shipped to the mainland from Hawaii.

The company has, in fact, handled all the Hawaiian raws coming into the United States ever since—but not at its own refinery. In the first place, there isn't a market for all Hawaii's sugar (a little under 1,000,000 tons a year) on the West Coast. Another thing, the beet sugar industry has grown larger and larger in C. & H.'s Western territory. A third factor of importance is labor interruption to refining in San Francisco—the company has had one strike of its own and has had several interruptions due to dock and shipping strikes.

Eastern Outlets Developed

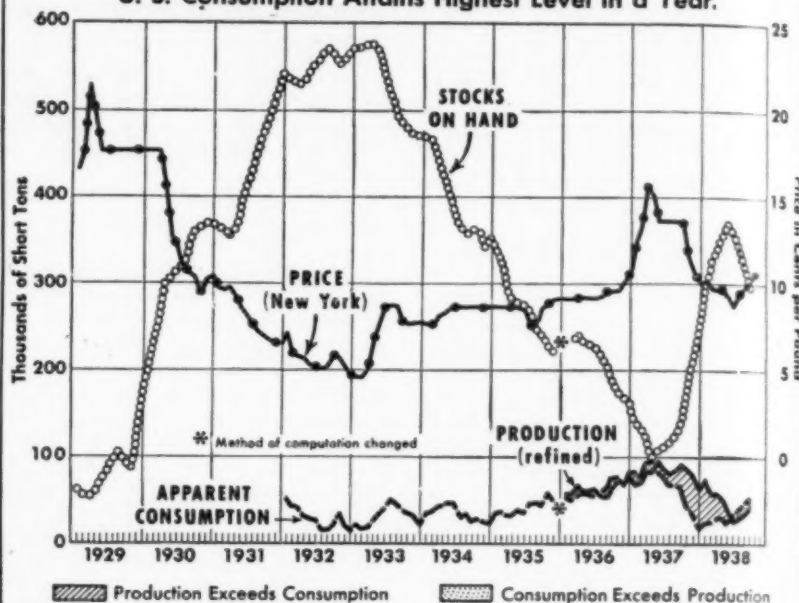
Due to competition from beet sugar (the beet people regularly undersell cane 20¢ a cwt.) and the extent that freight rates limit its Western sales territory, C. & H. long since developed outlets in the East at such points as Buffalo and Chicago. Moreover, sugar not needed for sale under its own brand names was sold by C. & H. to Eastern refiners.

But the situation has never been entirely to the liking of C. & H. There have been times when the company had trouble getting sugar for its Eastern outlets under its own C. & H. brand. Moreover, it sold its surplus to the Eastern refiners on a price-date-of-delivery basis, and the price it got wasn't always all that it could have asked. So C. & H. began to flirt with the idea of buying an Eastern refinery.

That plan, though, involved a big initial outlay. So, recently, C. & H. concluded a contract with National Sugar (second largest unit in the East) which seems to accomplish several things. First off, National will refine a minimum of 100,000 tons of sugar for C. & H. each

RAPID RISE IN USE CUTS COPPER STOCKS

U. S. Consumption Attains Highest Level in a Year.



Date: Copper Institute, American Bureau of Metal Statistics.

U. S. Department of Commerce, Engineering and Mining Journal.

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year on a toll basis, and the business is expected to run to more than three times that amount. C. & H. will put that sugar into its own packages, thus having its full line readily available in the East. C. & H. has opened sales offices in New York. That it expects to take a man-sized part in the Eastern market was emphasized a few days ago when it led the advance in price of refined cane sugar to 43¢ a lb.

On National's side, it has a six year contract (cancellable by either party at the end of four years) that probably will cover about 360,000 tons of sugar a year. How much National can make on this contract, nobody is saying, but the company obviously will substantially reduce per pound overhead on its own sugar requirements by spreading out that overhead.

Contract "Eliminates" Hawaii

The contract has another angle which is largely political. Hawaii, when the last sugar quota law was enacted, fought tooth and nail to get its full quota in refined sugar. It lost—was given a refined quota of a little less than 30,000 tons a year against a raw sugar quota of a little over 900,000 tons. This was anything but popular with the Hawaiians. Presumably they would continue to fight for a larger refined quota. But, by signing its contract with National, C. & H. seems to have taken them out of that fight for at least four years, leaving Puerto Rico alone to battle for "equality of treatment" for American territorial possessions.

Jolts Rail Investors

ICC wipes out preferred and common stocks in Western Pacific reorganization.

THE INTERSTATE COMMERCE COMMISSION this week served another warning on stockholders of financially troubled railroads that they cannot expect easy-going treatment in Section 77 reorganization cases. The ICC prescribed a plan for Arthur Curtiss James' Western Pacific which summarily wiped out the preferred and common stocks from participation.

That follows more or less the ICC policy in three other plans for Class I roads. In the Spokane International plan, the common was canceled. Akron, Canton & Youngstown common shareholders got slightly better treatment—warrants to subscribe to common; in the Chicago, Great Western prescription, the common was wiped out, while the preferred stock was offered one share of new common for each two shares of old preferred.

Court Suits May Eventuate

The severity of ICC plans on the common shareholders may give rise to court suits. The commission under the railroad bankruptcy act has the right to formulate a plan of its own, if security holders do not tender a satisfactory plan. Then the plan must be approved by a court. The Supreme Court may have to decide ultimately if the procedure deprives stockholders of constitutional rights.

The ICC laid down the following for-

mula in its Western Pacific plan: "If this reorganization is to be successful, the capital structure . . . must be realistically related to actual earning power." Result: fixed interest charges were cropped 85%—from \$3,350,000 annually to \$511,000.

FINANCIAL ANGLES

Steel Bets Off

WHEN THE STEEL INDUSTRY indulged in wholesale price cuts and eliminated basing point differentials in June, investment analysts and statisticians began a mathematical hunt for the new "break-even" point for the industry. Estimates ranged from around 50% or lower to 60% and higher. Some of the No. 4 pencil pushers were pretty cocky over the results and it was not unusual, back in July and August, to find statisticians with different estimates placing bets. It was expected that the fourth quarter earnings would indicate the winners. But now that the industry has treated itself to a brief but costly price war, all old calculations are off. Bets too.

A Million for Defense

IT WILL COST the Baltimore & Ohio Railroad more than \$1,000,000 to defend its solvency. In a letter to the Interstate Commerce Commission the road listed the following expenses in connection with its plan to modify its interest charges and maturities on outstanding bonds: \$335,000 for depository fees; \$180,000, printing and engraving; \$45,000 for exchanging assented but undeposited bonds; \$100,000, insurance, postage, advertising etc.; \$25,000 for transfers of certificates of deposits; \$100,000 for solicitation of assents; \$114,760, issue taxes on bonds to be extended; \$8,340, fees for listing deposit certificates on the New York Stock Exchange; \$50,040, fees for listing new securities; \$30,000, printing and forms, and \$75,000 for services and expenses of trustees and their counsel. That adds up to \$1,063,140, is only a preliminary estimate, and does not include the road's own counsel fees.

Keeping Up with Money

BANKERS, who want to keep up with the money market, can do so for 50¢. The Federal Reserve Board is making available a book of 30 charts covering bank credit, money rates, security markets, business conditions and so on from 1919 to date. Originally, the charts were developed for internal use among the board's personnel. But now it's been decided to make the charts available generally. Space will be left for figures up to 1940—for bankers to keep the material up to date. The charts will fit into a brief case.

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BUSINESS ABROAD

Trade Clashes Rouse Business

Showdown looms on Washington and Berlin trade policies. Pending British and Canadian agreements strengthen Hull's hand. French outlook better.

DESPITE the new conditions imposed by Munich, the alarmingly rapid spread of Germany's system of "balanced trade," and repeated rumors that Anglo-American trade negotiations had run into serious trouble, it is No. 1 business news for executives this week that impeccable authorities in Washington declare, not only that the Anglo-American trade agreement is almost ready for signing, but that it is going to be a really imposing pact. Best guess now is that the signing will take place after elections, probably about the middle of November.

As to U.S.-Reich Deal

A German-American trade agreement remains a possibility, but not in the immediate future. Both sides are showing signs that they are ready to bargain away from their extreme differences, but the going will be slow. Germany seriously needs cotton, fruits, and fats and the new trading zone in southeastern Europe will not supply more than negligible quantities of the last two. The United States has surpluses of all three, and farm pressure to make concessions to Germany in order to dispose of them will intensify. Berlin is reported ready to make an offer to take greatly increased quantities of cotton, but demands the right to pay for the bulk of the purchases with German specialties—including those of the Sudetenland which are already well known in the United States.

The week has been unsettling to British business, encouraging to France, and disturbing to Germany in spite of the prospect of larger foreign trade following the rapid succession of new credit arrangements with Turkey, Bulgaria, Yugoslavia, and Poland. Stronger metal prices are bullish for business in Canada, South Africa, and South America. Foreign exchange rates are see-sawing at levels generally above a week ago.

One of the most significant developments was the launching of the newest Japanese drive in South China (page 44). It means that Japan has no intention of stopping short of its original "dream goal," the domination of all of China. It means that Japan soon will bargain for a trading empire of 400,000,000 people, second only to the British

Empire in numbers. It means a new era in Pacific business.

This, with Germany's announced determination to wage a trade war if necessary for a big place in Latin American markets, accounts for our spectacular new naval plans. It will explain the new importance attached by Washington to the coming Pan American conference at Lima, Peru, in December.

French Labor Yields

PARIS (Wireless)—The short-term business outlook in France has brightened this week. Trading is back to normal; no serious labor troubles have developed; the foreign trade outlook has even brightened a little. The Paris Motor

Show is attracting large crowds, and business is better than a year ago.

Most of this improvement is due to the firm policy of the Daladier government, and would vanish on the first sign of a less dictatorial stand on the part of the premier. It seems likely that France may yet form a national coalition government to handle the emergency situation which exists. It will frankly be autocratic, and away from democratic forms.

Important modifications of the 40-hour labor laws have been made. In the defense industries, the government now has the authority, without consulting either employer or labor associations, to decree as much overtime as is necessary to carry out the national defense program promptly. In other industries, the Ministry of Labor can decree up to 100 hours of overtime, but only after consultation with the employer and labor interests involved. Expected soon is a law reducing the rate for overtime pay.

Britain Fears a Slump

LONDON (Cable)—British business is drifting. Trade has picked up seasonally the last few weeks, but is hardly up to last year's level. Confidence is lacking, and the feeling is beginning to spread that nothing short of a miracle will avert a

Short of Gas, Japan Moves Its Goods by Cycle-Truck



Tiny trucks built around motorcycles—which go almost anywhere on a minimum of gas—have long been popular in Japan. Now, with wartime rationing of petroleum, Nippon is moving everything it can by cycle-truck.

serious recession. Not even the continued cheerful reports from the United States have been able to stimulate optimism. Sole bright spot is the metals market. In its rise the British have a good deal of confidence.

Cabinet conferences at the end of the week will prepare the way for the meeting of parliament on Nov. 1. National defense, the Palestine problem, the Spanish situation, and the trade agreement with the United States all come up for consideration, and all but the last one will call for heated debates which will be disturbing to business. In addition, Germany is boldly hinting through its propaganda agencies that it wants a full airing of the colonies question; de Valera, after studying Hitler technique carefully, is asking for the absorption of northern Ireland by the Irish Free State; and Japan has launched its latest drive right under the noses of the British garrisons at Hong Kong and in the midst of Britain's richest remaining trade preserve north of Malaya.

Important cabinet shifts are expected before the end of the year, with the tendency toward a national emergency government which can act with much greater authority than the present Chamberlain group. The prospect of higher taxes hangs like the sword of Damocles over British business.

Germany Builds Trade Axis

BERLIN (Cable)—Berlin is watching with dismay the appalling pace set by Britain in the new armament race. Though the mid-October Reichsbank statement shows an influx of \$320,000,000 of notes in circulation since the end of September, the country's financial situation remains strained, especially since the treasury bills which were issued in quantity beginning last April will fall due in October.

Economic assimilation of the Sudetenland is proceeding at top speed, but far more difficult problems have arisen than was the case in Austria and they will add heavily to the Reich's expenditures.

Meanwhile, Berlin is losing no time in capitalizing on its enhanced political power and prestige by building up an "economic axis between the North Sea and the Black Sea." Following the Turkish credit, Germany has granted Poland a \$24,000,000 credit for the purchase of machinery and industrial equipment, repayable by additional Polish exports to Germany of timber and foodstuffs.

Features of September foreign trade: (1) the lack of the expected seasonal recovery resulting in a foreign trade deficit of \$13,600,000 for the old Reich, or of \$20,400,000 when Austria is included; and (2) gold exports of \$36,400,000 which are more than the Reichsbank's listed holdings and hence must have required withdrawals from its secret reserves for eleventh hour purchases of emergency materials from London during the September crisis.

Canada Smiles

Retail sales rise, farm outlook improves; and new interest is shown in mining.

OTTAWA—The business level in Canada is rising slowly. The improvement is unforced and appears to be sound. The general economic index advanced more than 4 points in the latest week to 110.4, carloadings and bank clearings contributing substantially to the gain. Retail trade is improving. The betterment is attributed to the harvest and to the upswing in the United States.

Canada Will Borrow

The Ottawa government probably will enter the United States-Canadian money market next month with a \$40,000,000 refunding loan to redeem a 3-year 2% issue maturing Jan. 1 which was sold to an international bankers' group at 99½. A long-term issue is being considered.

Canadian department store sales, benefiting by the harvest, gained 26% in September over August and were only 3% behind September, 1937. On the other hand, automobile production ran to the year's low in September but was well ahead of last year.

Newsprint manufacturing circles refute last week's reports of a coming cut in price from the \$50 rate of current contracts. They say this price will be maintained for 1939.

Plan for Wheat

Manitoba's premier, John Bracken, made a surprise move in calling a world conference of agricultural experts for Winnipeg in December to consider especially wheat markets and prices. Ottawa appears not to have been consulted. Canadian business is skeptical as to the possibility of any benefit, believing that the Canadian wheat trade will fare better if free from all international marketing schemes. It is now apparent that the Dominion government will be out at least \$50,000,000 because of its guaranteed minimum price for wheat.

Decision of Britain and other nations to build armaments at a faster pace is reviving interest in Canadian mining and is expected to stimulate the mining securities markets and bring new money for development. Options on promising property have been numerous in the last 10 days.

Recent overstocking by British steel importers is reflected in the operations of some Canadian producers. Dominion Steel and Coal Corp. is now running at about 60% of capacity because of a slowing up of deliveries to Britain. During the early part of the year it was operating at capacity.

Standard Oil of California has been making surveys of the Alberta field and is expected to start drilling.

GO FURNESS PRINCE TO South America

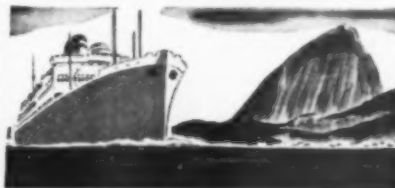
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Japan Wins in the Orient

Canton and Hankow are likely to fall, giving the invaders control of 300,000,000 Chinese. As Japan grows mighty, what should U. S. do?

SIGNIFICANT CHANGES are coming soon in the Far East. In spite of valiant resistance, masses of Chinese soldiers cannot defeat the vastly superior military machine of the Japanese. Within a short time now, Canton and Hankow are likely to fall to the doughty Japanese, and Chiang Kai-shek will be forced to capitulate or withdraw to one of the remote and isolated provincial capitals far up the Yangtze river.

This marks a turning point in the commercial future of the Pacific. Japan is no longer merely a poor island empire of 70,000,000 people. It is going to be the headquarters from which is supervised the industrialization of China. Tokyo is getting set to bargain in world markets backed by all of the strength of China's resources, cheap labor, and enormous potential buying power. The economic destiny of nearly 300,000,000 Chinese will in the near future be dictated from Tokyo.

As a Pacific power with an enormous

but compact empire, Tokyo is going to demand full equality of treatment from both Britain and the United States. Bolstered by the resources of the Asiatic main land and its new strategic foothold on the very borders of the British, French, Dutch, and American colonial empires, Nippon takes on the unquestioned rank of a leader among world powers, both politically and economically.

What is this going to mean to business?

China, if the Japanese program carries through (see map), will be reduced to an inland nation of not much more than 100,000,000 people, with no free outlet to the sea, almost no modern factories, and some of the most backward people of all those formerly ruled from Nanking. Its neighbor on the north and west will be the Soviet Union, and on the south Tibet and Burma—both controlled by the British. Rich and populous Szechwan province will probably be the center of the dwarfed state.

Almost none of China's railroads, and few of its highways, are in this backward inland region. In a territory so loosely tied together, without an arsenal, and far from the rich port cities which have provided most of the government's revenues, it is doubtful if Chiang Kai-shek will be able very long to keep up any important military opposition to the Japanese or very quickly to develop his rump state into a country of much economic strength.

Raw Materials and Markets

Japan adds to the 100,000,000 people which composed its empire before the present Asiatic adventure another 300,000,000 Chinese living in a territory almost two-thirds the size of the United States. In the deep strip of Japanese-dominated territory running for 3,000 miles along the China coast are rich deposits of coal, iron ore, tungsten, antimony, and great plains producing cotton, grain, rice, livestock, and fruit. Railroads extend all the way from the forests and cattle lands of Manchukuo to the teeming markets in the Yangtze valley and in the south.

Enormous flour mills line the river front at Harbin and Tientsin; spindles hum in the textile mills at Tsingtao and Shanghai; great blast furnaces roar at Hanyang and Hankow; rich merchants crowd Canton and Shanghai.

Japan intends to supervise and coordinate the development of this entire

New Trade Empires

WORLD TRADING UNITS are shifting. Germany—with only 65,000,000 people a year ago—has become the nucleus of a great new trading bloc of 188,000,000. Italy has occupied a vast area in Africa but upped its potential customers only 16,000,000. Japan has outdistanced all of the recent empire builders. By cutting Chiang Kai-shek off from his last supply base along the seacoast at Canton, Tokyo carves for itself an economic bloc of 400,000,000 people. Here's a new lineup of the trade empires on a population basis:

	Today	1940
	(millions)	
British Empire	487	447
Japan bloc	400	85
German bloc	188	62
Soviet Union	168	147
United States	130	120
French Empire	102	101
Netherlands Empire	69	57
Italian Empire	59	43

region, after the plan worked out in Manchukuo. Tokyo will control every branch of the puppet governments, the central bank, the currency, the rail lines, utilities and communications, and the country's foreign trade policy. These are "strategic." They are necessary to Tokyo's Pan-Asia policy.

Grandiose Plans Framed

In North China, they already operate the railroads, and regulate the foreign exchange. On Nov. 1 they will launch the great North China Development Co. which will function as a holding company directing the monopoly operations of all of these strategic businesses, just as they were developed in Manchukuo by the South Manchuria Railway Co. Only light industry is left free to exploitation by private capital development. But as long as Japanese troops are still fighting a major campaign in the Yangtze valley and in the south, few of the really large projects will get under way, even in comparatively calm Peking. Authorities on the spot declare it will be two years before Japan can restore railroad services, add the necessary new strategic lines and highways, provide defense precautions, and complete the setup of the great "master plan."

Like the Munich compromise which leaves Germany unquestioned master of southeastern Europe but leaves to the future the question of a German clash with other imperial powers in the Mediterranean or with the Soviet Union over the Ukraine, so the Japanese drive on Canton—heart of Britain's last and richest trade preserve in China—raises the question of further Japanese adventure.



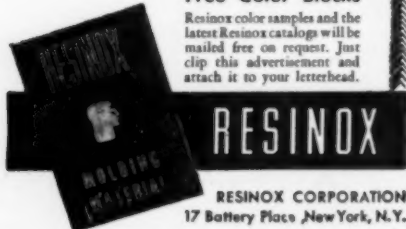
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ing south into the rich colonial empires of the French, British, and Dutch. Immediate interest of Washington is the Philippines, which are still our ward, and our important raw materials holdings in Malaya and the East Indies.

In 1931 the Japanese moved cautiously in their first military adventure in Manchuria, and watched nervously to see how forcibly the rest of the world would protest. Seven years of successful campaigning on the Asiatic mainland gave Tokyo the courage two weeks ago to launch its drive for Chiang Kai-shek's last important unconquered supply route right under the noses of the British at Hong Kong. Japanese shells are carefully aimed away from the British zone, but every British merchant knows that Hong Kong will die if the Japanese take Canton and choose to monopolize the trade of South China through this port.

May Try to Freeze Out British

A few extreme right-wingers in Tokyo are already clamoring for control of Hong Kong, but the moderates may still convince them that they can accomplish their goal more cheaply and perhaps more convincingly by simply settling down to freeze out the British unless they agree to cooperate with Japan. That keeps open the way for more amicable discussions with London, and the possibility of much-needed British financial cooperation.

The new Pacific situation raises new problems. China is reduced to an insignificant inland country. Japan has not only supplanted Britain in former Chinese territory, but threatens the whole British position in the Orient. It controls a longer Pacific seaboard than the United States. It becomes the most populous trading bloc in the world, after the British Empire (see box). It has all of the potentialities of becoming one of the world's most powerful economic units.

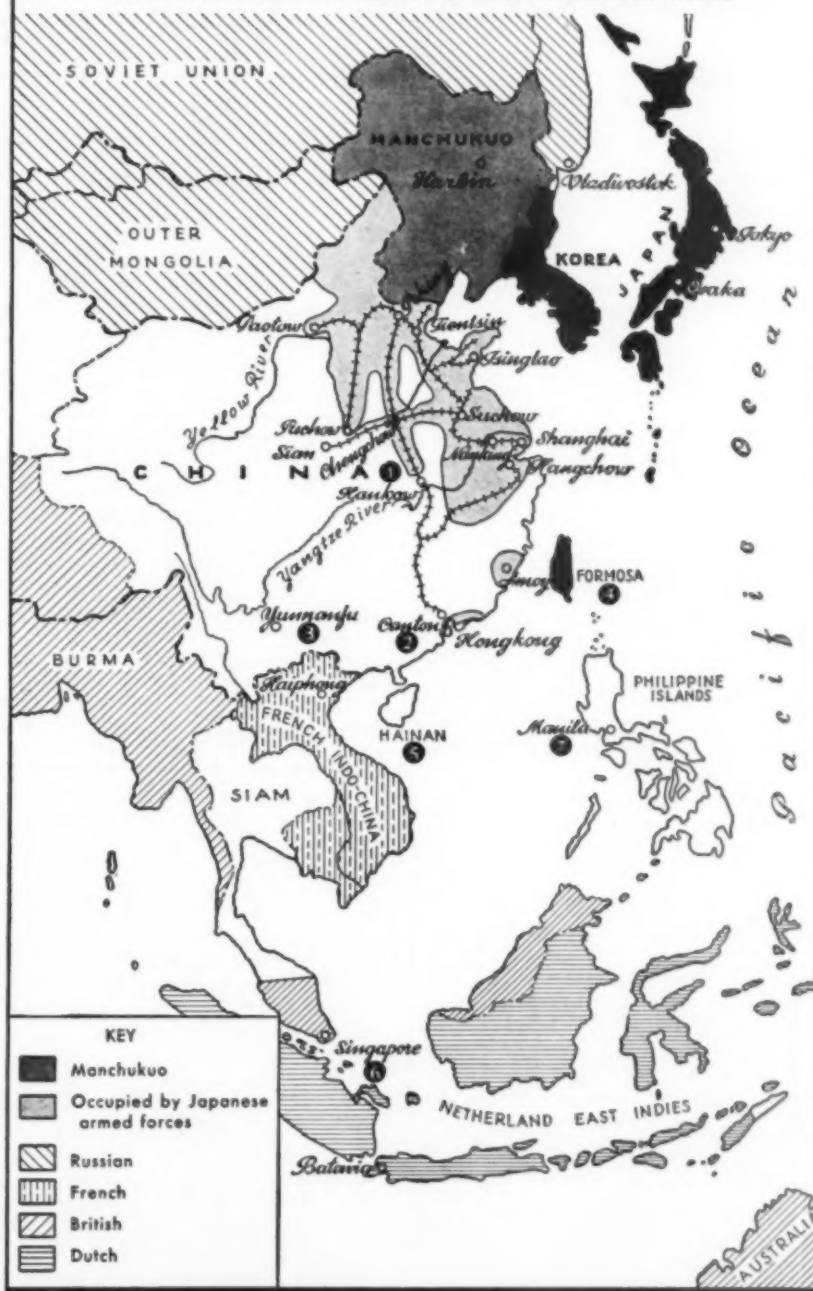
U. S. and Britain Arming

Washington and London both recognize the problem, and both are rushing naval construction. The British presumably are determined to strengthen their position in the rich Singapore area and to be ready to defend from any rival the domination over India, second in size only to the China market. Washington presumably is thinking of its dependence on East Indian rubber, tin, and vegetable oils, but far more of the security of its smaller neighbors in Latin America. Both are viewing the problem from the defense angle.

A small but shrewd group of people believe that the situation must be studied from a fresh angle. If Japan's territorial ambitions are satisfied in China, Tokyo still has its biggest job ahead. Japan lacks both the capital and the industrial capacity to rebuild China alone.

Is it time for diplomats and executives to revise their thinking on policy in the

JAPAN ROUNDS OUT ITS NEW ECONOMIC EMPIRE



The new Japanese drive to take Canton (2) serves two purposes: By cutting off Chiang Kai-shek's last important supply route to the seacoast it weakens China's defense of Hankow (1); it completes Japanese control over the entire China seacoast though not all of it is actually occupied. Only a trickle of arms reaches the Chinese forces by way of Yunnanfu (3) from French Indo-

China. Formosa (4) is rapidly being developed into a great Japanese naval and air base. Hainan (5), a part of China, is likely ultimately to be occupied by the Japanese. Though Hong Kong is strongly fortified, Britain's most important military base in the Orient is at Singapore (6). Manila (7) is the center of United States interests in the Philippines.

Business Week

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Pacific? Must they spend all their energies trying to brake the growing power of the new rival in the Orient? Or will they profit more if they work toward a plan, acceptable to them and to Japan, for mutually profitable cooperation?

FOREIGN ANGLES

Latin American Credit

THIRD QUARTER 1938 credit and collection ratings of all Latin American countries have just been released by the Foreign Credit Interchange Bureau of the National Association of Credit Men.

CREDIT CONDITIONS

Good: Venezuela, Peru, Panama, Argentina, Puerto Rico, Colombia.
Fairly Good: Guatemala, Costa Rica, Dominican Republic, Brazil, Cuba.
Fair: Chile, Haiti, Salvador.
Poor: Mexico, Honduras, Uruguay, Ecuador, Bolivia.
Very Poor: Paraguay, Nicaragua.

COLLECTIONS

Prompt: Venezuela, Peru, Panama, Argentina, Costa Rica, Dominican Republic, Puerto Rico, Guatemala, Salvador, Colombia, Cuba, Haiti, Mexico, Chile.
Fairly Prompt: Honduras, Ecuador, Paraguay, Brazil.
Slow: None of the countries is in this classification for this quarter.
Very Slow: Uruguay, Bolivia, Nicaragua.

Pan American Airways

PAN AMERICAN AIRWAYS made news on two fronts this week. To the Civil Aeronautics Authority in Washington it handed a petition for an increase in subsidy from the present \$2-a-mile rate on its mail contracts to a \$7 a mile out-bound rate from San Francisco and \$16 a mile returning from Guam. Return rate is divided: \$8 from Guam to Honolulu and \$8 from Honolulu to San Francisco. In addition, Pan American asks that the government turn over all air mail revenue received from foreign governments. Value to the navy of its service and bases is behind the demand just now, though Pan American claims a loss over the last year of about \$95,000 a month at present subsidy rates. Also to be handed to the CAA is a joint request from Pan American Airways and American Export Airlines—aviation branch of American Export Lines (shipping to the Mediterranean)—that they be allowed to cooperate in development of transatlantic air services and assign between themselves geographical areas each will serve. The agreement does not seek to exclude activities of third persons. Both will operate from the United States to Germany and France, but Pan American will feature service to northern Europe whereas American Export Airlines seeks to supplement its shipping services.

B.C. Tries Price-Fixing

ANNOUNCEMENT that the British Columbia government had decided arbitrarily

to reduce the price of gasoline to the retail trade has severely jolted the nine major oil companies doing business in the province. Extent of the proposed cut has not yet been made known, but it is expected to be at least two or three cents a gallon. Invasion of private business, if the new price-fixing order is a precedent, is regarded with misgivings by representatives of other industries. Seven of the nine oil companies—Imperial, Shell, Standard, Union, Home, Texas, Signal, British-American, and B. C. Fuel—have openly opposed the government's proposed arbitrary action. They claim that last year the industry lost \$700,000 on its operations in British Columbia.

German Gold

GERMANY has a secret gold reserve. For several years the recorded gold imports into Germany measured against recorded outgoing gold have failed to produce a figure corresponding to the Reich's official listing of its gold holdings. When Austria was occupied, Germany acquired another \$58,000,000, but this has never appeared in German gold statistics. Minimum estimates on Germany's gold holdings, despite the officially listed \$30,000,000, are \$200,000,000. A few people believe they may be as large as \$400,000,000. At any rate, Germany holds a good deal more gold than Berlin admits in its central bank statement.

Foreign Investments

HOW MUCH does the United States have invested in foreign countries, and where are these investments largest? Washington answered that question again in its new annual report on this country's balance of international payments in 1937.

(1) How much?

United States investment in foreign countries:		End of 1937
Long-term		\$11,074,000,000
Short-term		721,000,000
Total		\$11,795,000,000
Foreign investments in the United States:		
Long-term		\$5,270,000,000
Short-term		1,766,000,000
Total		\$7,036,000,000
Our net investment abroad		\$4,759,000,000

(2) Where?

	(Portfolio Investments)				
	Direct Invest-	For'n Dollar Bds.	Miscellaneous Securi-	Grand Tot.	
(In millions of dollars)					
Canada and Newfoundland	2,009	1,389	232	1,621	3,630
West Indies	766	112	5	117	883
Cent. America and Mexico	627	29	..	29	656
So. America	1,525	1,031	6	1,037	2,562
Europe	1,279	961	132	1,093	2,372
Asia	428	181	6	187	615
Oceania	116	99	3	102	218
Africa	94	2	16	18	112
International	26	26
Total	6,870	5,804	400	4,024	11,074

EDITORIALLY SPEAKING

BY DR. VIRGIL JORDAN

President of the National Industrial Conference Board

Stage-Fright

The editor of this paper has been nagging me for some time to say something to anxious executives about how to get ready for the gladiatorial games scheduled to get under way in Senator O'Mahoney's Circus Maximus on the Potomac shortly after elections.

I have tried for five years to explain to unbelieving business men what I think the deliciously-designated Temporary National Economic Committee is aiming at, and I shall have plenty to say about the greatest show of all time as it proceeds. But it seems to me premature to expect anyone to prepare himself intelligently or effectively for his part in any specific scene in a performance so vast in scope, so expert in technique, so significant in purpose, and so complex in its political and economic implications as this is designed to be.

Every line and every bit of stage business in this play was written by a master dramatist long ago with the final curtain in mind. The story has its roots in every legislative and political event of the past five years, and its dénouement is intended to stretch far into the future, when all of the present cast of players will have passed off the stage and a different audience will be sitting in the pit. I doubt that many of the actors or the crowd in the gallery realize this, but it is true, and it is the only thing about the show of which anyone can be certain in advance.

That's why it is going to be such an absorbing drama for everybody. It will indeed be the biggest show on earth, for all the others that are running on the world's stage—Mussolini's mannikins, Hitler's troubadors, Stalin's ballet russe, and Japan's jugglers—all are only burlesques that elaborate the tragic spectacle of the struggle between the spirit of free human enterprise and the tyranny of the absolute State which is the single central theme of the epic drama to be enacted now on the stage of American life as the Temporary National Economic Committee unfolds its scenario during the next two years. This great American drama is the last of a long cycle, and this stage is the last on which it can be played out. Who can promise that this final act will have a happy ending?

I can't; but I am sure there is still a fair chance of it on the American stage. If we dying gladiators play our parts nobly in our generation we may yet

move the audience to turn their thumbs down on Nero at the end.

The important thing at this point is for our part of the company to get some common and concerted conception of the plot as a whole, and of the rôle that we are supposed to play in the piece. We cannot hope to succeed in giving a performance that will appeal to the immense audience that is watching this spectacle unless we possess a clear, firm and unified understanding of the thing that we represent in it.

What is that? It isn't just our own business or even our industry or trade. In this drama we personify something much broader and deeper. We symbolize the principle and the organization of enterprise in the freest and most fully developed form to be found anywhere on earth or in history. We do not represent a dead mechanical formula, like the governmental actors in the play. Theirs is the oldest and stalest formula in the world—the formula of force. On the other hand, the thing for which we stand is an always new and vital element in every civilization, an attitude and spirit of life and work compounded of all the qualities of character, emotion and intelligence that make a people great and strong.

We must know what this thing called enterprise really is, what factors give it life and foster it, how it has developed, organized itself and operated in American life, and what it has contributed to the balance sheet of social progress of the American people, no less than to the balance sheet of our own business and industry. If we are ever to move this drama to a happy ending we must inspire our fellow players and our audience with the spirit of our part. To do this we must not be so conscious of our sins and weaknesses as we are of our strength and creative power.

In all we say or do we must keep our performance pitched to the highest level of which we are capable, ignoring trifles, disdaining tricks, never striving for effect. We must play our rôle without prejudice or animus, but with dignity and candor, not only mindful of the immense stake there is for all of us in our performance, but never forgetting that all the other actors on this stage and the passive spectators in the pit are essentially the same kind of people as ourselves, moved in their own ways by the same spirit of enterprise, the same high hopes of accomplishment, the same dark fears of failure.

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October 22, 1938

Organizing the Aged

It is not very often that interim elections can be synthesized in national terms—reduced, so to speak, to their common denominator. Usually they are mere conglomerates of local factional disputes.

There have been three more or less definite efforts to develop a distinct national issue in the campaign of 1938. First attempt was to get us excited about the familiar party issue. Emphasis was laid on estimates of the expected Republican gains in the House, with the inference that such gains would signal the traditional “turn of the tide” that has often appeared in mid-second-term elections. Then came the purge. This made the President himself the issue according to his critics, and these hailed its failure as indicating that the famous “coat-tails” which had wafted so many statesmen to office were no longer a guaranteed form of transportation. According to the President, however, the purge raised a brand-new issue—liberalism vs. conservatism.

YET, as the election approaches, it has become increasingly clear that these definitions of what we are to vote on have been academic and unreal to the electorate. In state after state the major issue of the campaign cannot be phrased in terms of the old parties, of the personality of the President, or of political abstractions.

In a very large number of states today, the burning issue is an old-age pension proposal. The mere cataloguing of state pension drives, ranging from the \$30-Every-Thursday referendum in California to the sponsorship of the Townsend Plan by numerous candidates in Maine, would be a lengthy undertaking. States which have not been able to meet the comparatively modest requirements of their present “security legislation” are the scenes of active agitation for even more generous payments. More than any campaign of recent years, the election of 1938 has found a national issue in this composite of a variety of local pension proposals.

The problem of destitute old age is not new, although it has been intensified by our shift from an agricultural to an industrial economy. In approaching it, two premises must be acknowledged: (1) that few persons, no matter how industrious or thrifty, can at present save enough from their earnings to provide for a long twilight of life, even on the most modest

scale, and (2) that the majority of old persons must be supported by others—whether those others are their own kin, or organized charity, or some agency of the state. It appears to be the consensus that the answer to this problem is a pension system, but with the implicit recognition that whatever is granted to the unproductive aged must be subtracted from the share of the national income divisible among the productive members of society. This principle was acknowledged in the old-age benefit provisions of the Social Security Act; it is ignored in the numerous state proposals presented to the electorate this fall.

THE apparent significance if the campaign of 1938 to many candidates is that the electorate is so evenly divided that the actual balance of power may rest with any considerable pressure group that can be created to cut across the old or new alignments. The widespread and simultaneous appearance of these local pension schemes can only be interpreted as attempts to organize the aged into such a pressure group as will tilt the scales, whether between Republicans and Democrats, or pro-New Dealers and anti-New Dealers, or liberals and conservatives.

The importance of the election is likely to lie less in any disclosure as to the alignment of the country upon these divisions than in its revelation as to whether the politicians have been right in their estimate of the power of the pressure groups, among which the aged have figured so conspicuously. If the vote in the pension states confirms their astuteness, we may suppose that its implications will not be lost on Congress.

One clear fact that the campaign of 1938 does show is that we are making remarkable progress in the art of playing politics with human misery.

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